

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

THE LAW Revision Committee have issued their Fifth Interim Report, which deals with the various Statutes of Limitation regulating the periods within which legal proceedings may be instituted. We publish in another column a summary of their recommendations in so far as they relate to matters of more general interest.

As Receiver in the case of Marshall, Sons & Co., Limited, Sir W. H. Peat applied to the Court for an increase in his remuneration from £1,050 to £6,550, or such other sum as the Court might think fit. The work involved included the reorganisation of the business, the carrying out of contracts and negotiating the sale of the assets. The undertaking was sold as a going concern for £205,500. Mr. Justice Clauson considered that £1,050 was less than the Receiver was entitled to and varied the Master's certificate by substituting £2,625.

In addressing the shareholders of the Midland Bank on the 26th of last month, Mr. Reginald McKenna, the chairman, gave his customary review of the monetary situation. In doing so he congratulated the authorities on their handling of the Exchange Equalisation Account, which he placed first amongst the elements of elasticity in our monetary system. Another element, he said, was the statutory facilities for varying the fiduciary note issue. The simplicity and neatness of the transaction by which the fiduciary issue of notes was recently reduced by £60,000,000 showed the immense advantage of skilled management. Regarding the balance of international payments, restriction of credit appeared to be the only available means for correcting an adverse condition. A lasting shortage of receipts from abroad, arising from exports, services and interest, would, he said, indicate that our price level was too high in relation to world prices and would be a true warning of boom conditions, but in his view that evil did not yet appear to be at hand.

The Gilbart Lectures on Banking, which are always interesting to many outside the banking profession, have again been undertaken by Mr. C. T. Le Quesne, K.C., his subject being "The Law of Banking in relation to Commerce." Amongst the matters discussed was the position of bankers in tendering for acceptance a draft with documents attached. It was pointed out that in such circumstances the banker does not warrant the genuineness of the documents, but only that they are not false to his knowledge. As to what the position would be if the banker did not know, but had some reason to suspect that the documents were false, seems never to have been decided by the Courts, and Mr. Le Quesne preferred not to express an opinion.

Another point had reference to what is known as "a bankers' lien," which, the lecturer said, differed from an ordinary lien in that it denoted a right of sale and thus partook of the character of a pledge. This right was conferred on the banker by his possession of the documents handed over to him by a seller of goods in exchange for discounting or accepting the draft. Where a bill of lading was endorsed to a banker, the effect in the vast majority of cases was not to transfer to the banker the ownership of the goods, but only such interest in the goods as belonged to a pledgee.

It is recorded that at the conclusion of a lecture on company liquidations one of the audience made the observation: "You have told us how to wind up a company, but will you now tell us how to unwind it." A case has just been reported in which a company had been wound up voluntarily and, under the provisions of the Companies Act, was deemed to have been dissolved some time last year, the three months period from the date of the final return having then expired. Subsequently it transpired that certain book debts in Australia which had been considered unrealisable had ultimately been collected and that certain others might be expected. The liquidator of the company thereupon applied to the Court to revive the company in order that the additional assets might be distributed instead of falling into the category of *bona vacantia*. Mr. Justice Crossman made the order asked for and the company is accordingly "unwound." The liquidator will presumably have to go through the same formalities again in bringing the liquidation to a conclusion for the second time. The case was *Thomas Collier & Co., Limited*.

What is the meaning of the expression in a will "All my home and personal belongings"? This was the question which Mr. Justice Bennett had to decide in the case of *Re Mills' Will Trusts; Marriott v. Mills*. At the time of the testatrix's death she had cash in the house and money on deposit in the savings bank, together with some household furniture (including a piano), policies of insurance and money on loan. The piano and the insurances were specifically bequeathed. The claim of the plaintiff was that the testatrix died intestate except as to the personal chattels and the specific bequests, but his Lordship took the view that the word "belongings" was wide enough to cover the whole of the personal estate. This decision he based upon the case of *Re Bradfield* (1914), where Mr. Justice Eve held that "belongings" had the same meaning

as "property." The only question was whether there was sufficient in the will in the present case to afford a context restricting the meaning of the term "belongings." Although his Lordship considered that the question was a doubtful one, he said there was a leaning on the part of the Court against intestacy, and he accordingly decided that the testatrix had disposed of the whole of her residuary personal estate.

Another instance of the interpretation of a will arose in the case of *In re Lewis's Will Trusts; O'Sullivan v. Roberts*. One of the provisions of the testator's will was: "I bequeath the following securities (or the investments representing the same at the date of my death if they shall have been converted into other holdings), namely . . . £2,000 4 per cent. Mortgage Debenture redeemable Stock of Associated Electrical Industries, Limited, to my Trustee upon trust," &c. Before the testator died the securities in question had been redeemed and the money placed on deposit, part with the testator's bankers and part with the Army & Navy Stores, Limited.

The question before the Court was whether the sums placed on deposit were investments within the meaning of the clause. Mr. Justice Bennett said there was no express authority deciding that money on deposit was not an investment, and there was no question of ademption as the provision in parenthesis had been inserted for the express purpose of preventing ademption. He accordingly decided that the deposits at the bank and with the Army & Navy Stores, Limited, were investments representing the security at the date of the testator's death.

In the case of *Lincolnshire Sugar Company (in Liquidation) v. Smart, Inspector of Taxes*, the House of Lords have decided that the company was liable to be assessed to income tax upon a sum of £17,494 advanced to the company by Parliament under the provisions of the British Sugar Industry (Assistance) Act, 1931. The sugar beet companies were granted certain subsidies under the British Sugar (Subsidy) Act, 1925, but owing to the heavy fall in the price of sugar, further State aid was afforded, under the 1931 Act, to certain companies including the appellants, to enable them to pay the price contracted with the growers of beet, but this further assistance did not take the form of increasing the subsidies under the 1925 Act as to which there had been no dispute regarding taxation.

The advances under the 1931 Act were liable to be refunded in certain circumstances, and the

company claimed that they were in a different category from the subsidies and were in the nature of loans. This view was upheld by the Special Commissioners and also by Mr. Justice Finlay, but the Court of Appeal took a different view, which the House of Lords have now endorsed. In delivering judgment, Lord MacMillan said, what to his mind was decisive was that the advances were made to the company so that they might be used in the business. They were intended artificially to supplement the trading receipts. As regards the amount in dispute, the contingency of repayment did not, in fact, arise.

The American Courts have been giving their views on the meaning of "Original Cost." The *Journal of Accountancy*, New York, in its January issue publishes the decision of the United States Supreme Court in the case of *American Telephone and Telegraph Company et al v. United States et al.* The chief matter in dispute was a provision of the uniform system of accounting prescribed by the Federal Communications Commission, under which companies subject to the system must maintain an account stating the "original cost" of a given property at the time when it was first dedicated to the public use, whether by the accounting company or by a predecessor. In another account, described as "Telephone Plant Acquisition Adjustment," the company is required to include the difference between the "original cost" and the amount of money actually paid for telephone plant acquired by the accounting company, plus preliminary expenses in acquisition. Similar provisions have been adopted by the Federal Power Commission, and in turn have been approved by the National Association of Railroad and Utility Commissioners.

The theory of original cost as outlined in these provisions is stated to be a somewhat novel one and has given rise to a good deal of controversy. The Supreme Court has rejected the Telephone Company's request that the order of the Federal Communications Commission prescribing the uniform system of accounts should be set aside. The Editor of the *Journal of Accountancy* withholds his comments on this decision until he has heard the views of members of the accountancy profession in America, whose observations upon the implications of the decision he invites. The judgment by itself does not convey a very clear idea of all that is involved in the question at issue. For a full understanding, it is really necessary to have an intimate knowledge of the surrounding circumstances.

The General Council of the Bar have had under consideration what is considered to be the inadequate remuneration of junior counsel for drafting and advising, arising, it is stated, from the practice of allowing what is described as "a perfunctory fixed fee for pleadings and other interlocutory work." As the result of a representation to that effect, the Lord Chancellor directed a letter to be written to the Chief Taxing Master stating that he (his Lordship) thought the present remuneration of junior counsel was in many cases inadequate and that the inadequacy resulted from what he understood was the practice of the Taxing Office in allowing a fee fixed by convention for pleadings and other interlocutory work. Whilst recognising that the Taxing Master had merely followed a long-established practice, he thought that, under the existing rules, the Taxing Master possessed a discretion, and that in exercising that discretion he should have regard to the difficulty, length and complexity of the subject matter and other circumstances of the case, including among other circumstances the fees paid on briefs at the hearing. The Senior Taxing Master replied that he did not think the discretion of the Taxing Office was "fettered by any custom" from allowing counsel a fee based upon the difficulty of his work and that this should always be the criterion to be used.

The generation of electricity by authorised undertakers in this country has been steadily increasing for some time past, the increase over the preceding year being 14 per cent. in 1934, 13½ per cent. in 1935 and 15 per cent. in 1936. The total units generated by these authorities last year reached a total of 20,220 million units. The estimate upon which the Electricity (Supply) Act, 1926, was based when the Central Electricity Board was established was that the number of units generated, which was then about 7,000 million, would reach 25,000 million in 1940. It would now appear that that figure is likely to be reached in about two years time.

The General Council of King Edward's Hospital Fund for London has recommended grants in aid of maintenance amounting to £265,950, compared with £272,850 in 1935 and £254,875 in 1934. In addition, grants towards schemes of capital expenditure are recommended to an amount of £31,050, as against £24,150 last year and £42,625 the year before. In making these grants preference has been given to the building or improvement of nurses' homes, out-patient departments, operating theatres and other accommodation calculated to assist in the efficient work of the hospitals, rather than to additions to the

number of beds. An agreement has recently been arrived at with the Voluntary Hospitals Committee that in future every voluntary hospital in the County of London will be asked to ascertain the views of that Committee before submitting to King Edward's Fund any important scheme of bed extension or general reconstruction.

THE INDIAN COMPANIES AMENDMENT ACT, 1936.

By the provisions of the Indian Companies Act, 1913, Indian Company Law followed very closely the corresponding provisions of the English Companies Act of 1908, but the legislation which has now come into operation in India does not take the form of a consolidating Act similar to the English Companies Act of 1929. Instead the Indian authorities have thought it preferable to amend the Indian Act of 1913. In doing so English legislation has, to a large extent, been followed, but certain portions of the English Act of 1929 have not met with approval, and in other respects the provisions of the new Indian Act go considerably beyond anything which has been enacted in this country. The new Indian Act, which came into force on January 15th, 1937, contains 124 sections, and we are indebted to Messrs. Dalal & Shah, a firm of Incorporated Accountants in Bombay, for a lengthy review of its principal features. From this we summarise below the alterations in the law which appear to be of greatest interest to practising accountants in this country.

For the first time in company legislation in India certain regulations contained in Table A of the Companies Act, 1913, cease to be optional. For instance, the submission of a profit and loss account containing certain prescribed information is made compulsory; three members are empowered to demand a poll at a general meeting; and shareholders are given the right to inspect the company's books of account upon the passing of a resolution to that effect. In connection with the issue of redeemable preference shares the provisions of the English Act are followed, with the addition of a third source out of which these shares may be redeemed, namely, the proceeds of sale of any property of the company.

Where the directors decide to increase the capital of the company the new issue of shares must be offered to the members of the company in proportion to their respective holdings irrespective of class. Existing shareholders will thus have an opportunity of taking up the new shares before they can be offered to the public. The Act not only prohibits a company from buying

its own shares or providing financial assistance to anyone else for that purpose, but also prohibits a subsidiary company from buying the shares of the holding company. This provision does not apply to banking companies nor to private companies with the exception of subsidiary private companies of a public company.

Regarding the Statutory Meeting and Report, the Indian Act gives a limit of six months instead of three months within which the meeting may be held, and extends the time for sending out the Statutory Report from ten days to twenty-one days before the meeting. The period of notice under the English Act is seven days only. The scope of the Statutory Report has been considerably enlarged. It must now contain information regarding commission or discounts paid on the issue or sale of shares; changes made in the personnel of directors or auditors since the company's incorporation; the extent to which underwriting contracts have been carried out; arrears of calls due by directors and managers, &c.; and the auditors are required to certify not merely the receipts and payments on capital account, but all receipts and payments.

The Act prohibits, under heavy penalty, the making or guaranteeing of a loan to a director or a firm of which he is a partner, or to a private company of which he is a director, but this does not apply to directors of private companies or banking companies.

Directors or their firms, or any private company of which they are directors, are precluded from entering into contracts for the sale to, or purchase from, the company of goods and materials without the consent of the board, and a register is required to be kept in which are to be entered particulars of all contracts or arrangements in which a director is directly or indirectly concerned or interested, and such register must be open to the inspection of the shareholders.

Every prospectus is required to disclose the names of the underwriters and the opinion of the directors as to the adequacy of their financial resources to carry out their obligations under the underwriting agreement. The Act also provides that if any property which the company proposes to purchase has within two years preceding the issue of the prospectus been transferred by sale, the amount paid by the purchaser on each such transfer must be disclosed so far as information is available. This is obviously intended to give information to intending subscribers of the amount of profits made by vendors or promoters. Regarding the minimum subscription upon which the directors are entitled to go to allotment, this is to be reckoned exclusive of any amount

payable otherwise than in cash, and money received from applicants for shares must be deposited and kept in a specified bank until the certificate to commence business has been obtained or the money is being returned to the applicants.

The provisions regarding the submission of accounts are largely modelled on the English Act, but the contents of the profit and loss account are for the first time laid down by statute. These provisions are contained in one of the clauses of Table A which is made compulsory. The clause provides that the account must show the amount of gross income, distinguishing the sources from which it has been derived, and the amount of gross expenditure, distinguishing the expenses of the establishment, the salaries and other like matters. The account must also give particulars of the total amount paid as fees, percentages or otherwise to a managing agent, and to directors as remuneration, specifying the remuneration received by a director from other companies where he owes his nomination to the company submitting the accounts. It must also show the total amount written off for depreciation. The auditors are required to report on the profit and loss account and to state whether it is in conformity with the law.

Regarding the balance sheet, we reproduce in this issue a copy of the form prescribed by the Act, which it will be observed requires many matters to be set out in great detail; and Form H, which we also reproduce, requires further detail. With regard to holdings in subsidiary companies, the provisions of the English Act are amplified by providing that the last audited balance sheet, profit and loss account and auditors' report of a subsidiary company must be annexed to the balance sheet of the holding company, as well as a statement showing how the profits and losses of a subsidiary company have been dealt with for the purpose of the accounts of the holding company. In many respects a private subsidiary company is in effect treated as a public company. Shareholders of a holding company have power by resolution to obtain inspection of the books and accounts of a subsidiary company and to apply for a Government investigation, but investment companies are exempted from the operation of this provision.

Respecting the provisions as to audit and auditors a person indebted to the company is disqualified from being appointed auditor, and if an auditor, subsequent to his appointment, becomes indebted to the company his appointment is thereby terminated. Where any of the matters required to be answered under the provisions relating to the auditors' report have

been answered in the negative, or with a qualification, the report must state the reasons for such answers.

For the first time the Indian Companies Act provides legislation for the control and management of banking companies, and a comprehensive definition of a banking company has been given in the Act in order to prevent such companies from embarking upon activities which do not fall within the scope of legitimate banking business. It would appear, therefore, that a banking company in India cannot undertake operations of a trading character, and existing banking companies have been given two years from the commencement of the Act to conform to the new provisions.

The Act contains somewhat elaborate provisions regarding "managing agents." The institution of managing agency is, we believe, peculiar to India. It has been suggested that whatever may have been the value of a managing agency in the past, the system has outlived its utility, but instead of abolishing the system the Government has allowed it to continue under strict control.

THE RAILWAY FREIGHT REBATES ACT, 1936.

THE Railway Freight Rebates Act, 1936, amends the provisions of the Local Government Act, 1929, relating to the operation of the Railway Freight Rebates Fund, *i.e.*, the Eleventh Schedule to the Act. The amendment has become necessary because of the reductions in railway assessments as from April, 1931, arising out of the operation of the Railways (Valuation for Rating) Act, 1930.

By the Act of 1929 occupiers of certain hereditaments are relieved of either the whole or part of their liability to local rates. Occupiers of agricultural hereditaments are wholly relieved and occupiers of industrial and freight transport hereditaments are relieved of 75 per cent. of their liability, *i.e.*, they pay only one-quarter to the local authorities. The occupiers of agricultural and industrial hereditaments retain their rate relief, but the occupiers of freight transport hereditaments (railway companies) are required to pass on their rate relief (*i.e.*, the 75 per cent.) to the traders.

The Eleventh Schedule to the Local Government Act, 1929, provides for the distribution of the rate relief of the railway companies to traders by means of rebates from the carriage charges on certain selected commodities. A Fund was set up under the Act called the Railway Freight Rebates Fund, managed by the Railway Clearing

House, into which the railway companies pay the estimated amount of their rate relief and out of which rebates are paid to traders. The Fund is subject to the control of the Railway Rates Tribunal, who review annually the operation of the Fund.

Provision is made in the Act for the adjustment of the estimated rate relief to actual, by a payment into or out of the Fund, as soon as the correct rate relief for any year is ascertained, and such an adjustment was made up to September 30th, 1930.

Six months later, April, 1931, the assessment of railways became subject to the provisions of the Railways (Valuation for Rating) Act, 1930, and the first assessments under that Act, dating back to April, 1931, were fixed in 1936 at a considerably lower level than those previously in operation. In the meantime the railway companies had been paying into the Railway Freight Rebates Fund, by the order of the Railway Rates Tribunal, estimated rate relief based on the higher assessments previously in force, and it became apparent that large sums would become due to the railway companies by reason of these overpayments since April, 1931.

It was never intended that the traders who had received the rebates should be called upon to make any refund, and as the balance of the Fund was insufficient, repayment by way of adjustment, as provided in the Act of 1929, could not be made out of the Fund. The Railway Freight Rebates Act, 1936, therefore, gives the Railway Clearing House power to borrow money on the security of the Fund for the purpose of making the payment to the railway companies. The Act provides that the companies shall continue to pay into the Fund on the basis of the original estimates until December, 1936, and that the adjustment shall be made as from April 1st, 1931, to December 31st, 1936. Provision is also made in the Act for a payment on account to be made to the railway companies in respect of the adjustment.

The amount due to the railway companies is estimated at approximately £9,762,000; under the powers given by the Act the Railway Clearing House issued £9,300,000 $2\frac{1}{2}$ per cent. Redeemable Stock, which produced a net sum of £8,649,000. The balance of the amount due will be met out of the existing balance of the Fund. The loan is to be redeemed over a period of sixteen years by a Sinking Fund which, with interest, will involve a yearly charge on the Fund of £708,808; further, the future aggregate rate relief payable to the Fund is estimated at only £2,330,000 per annum, as compared with approximately £4,000,000 per annum in the past. In view of

the reduced amount available for payment of rebates, the list of selected traffics is amended by the Act of 1936. The list of agricultural classes is reduced to two items, *i.e.*, milk and live stock; the coal class is confined to exported coal, coke and patent fuel; and other classes are omitted entirely. Agricultural traffics will have one-fifth and coal traffic four-fifths of the revenue available for distribution. The Railway Rates Tribunal have reviewed the scheme in the light of the Act of 1936, and have fixed the rebates for the period January 1st to September 30th, 1937. Agricultural traffic is to have a rebate of $14\frac{2}{3}$ per cent. of the carriage charges or tolls, and coal traffic $1\frac{1}{2}$ d. per ton and 20 per cent. of the remainder of the carriage charges, or, where the charge is a toll, 25 per cent. of the toll.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

At a meeting of the Council of the Society held on January 26th, there were present: Mr. R. Wilson Bartlett (President), in the chair; Mr. Walter Holman, Vice-President; Mr. F. J. Alban, Mr. A. Stuart Allen, Mr. C. Percival Barrowcliff, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. Arthur Collins, Mr. W. Allison Davies, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. Edmund Lund, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. James Paterson, Mr. Percy Toothill, Mr. Joseph Turner, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. J. R. W. Alexander, and Mr. A. A. Garrett, Secretary.

Apologies for non attendance were received from Mr. D. E. Campbell, Mr. R. T. Dunlop, Sir Thomas Keens, Mr. William Paynter, Mr. F. A. Prior, Mr. A. H. Walkey, and Mr. Fred Woolley.

At the opening of the meeting the President referred to the regretted deaths of Mr. Frederic Walmsley, Bolton, Honorary Member and Senior Past President, Mr. John Hyde, Montreal, Canada, Fellow and Honorary Member, and Mr. Frederick Holliday, Leeds, Fellow and Member of the Council. The Council adopted the following resolutions:

- (a) That the Council tender to the family of the late Mr. Frederic Walmsley their sincere sympathy in the loss which the family have sustained by his death. The Council record their high sense of Mr. Walmsley's work for the Society of which he was a founder and a Senior Past President, and their profound esteem for his character and personality.
- (b) That the Council tender to Mrs. Hyde and the family of the late Mr. John Hyde their sincere condolence on the death of Mr. John Hyde, Fellow and Honorary Member of the Society of Incorporated Accountants. The Council place on record their appreciation of Mr. Hyde's services to the accountancy profession in the Dominion of Canada, and to the Society of Incorporated Accountants.
- (c) That the Council tender to Mrs. Holliday and the family of the late Mr. Frederick Holliday their sincere sympathy in the great loss they have sustained by the death of Mr. Frederick Holliday. The

Council value Mr. Holliday's sustained interest and his valuable work for the Society of Incorporated Accountants both before and during the time he was a Member of the Council. His high character and loyalty have left a memorable impression on his colleagues on the Council of the Society.

RESIGNATIONS.

The following resignations were received with regret: Mr. Thomas Harold Benger (Associate), Croydon; Mr. Thomas Francis Brennan (Associate), Melbourne; Mr. Thomas Leonard Cockell (Associate), Chesterfield; Mr. William Gaunt (Fellow), Otley; Mr. John Arthur Inglis (Fellow), London; Mr. Francis Henry Pope (Associate), Hanley; Mr. Walter Saunders (Fellow), London; Mr. Alfred Griffin (Associate), St. Helens; Mr. Ernest Young (Associate), London.

DEATHS.

The Secretary reported the deaths of the following Members: Mr. Frederick Edward Anderson (Fellow), London; Mr. George William Buxton Berrington (Associate), Leeds; Mr. William Stout Burton (Associate), Manchester; Mr. James Bannatyne Dow (Associate), Birmingham; Mr. Matthew Henry Groves (Fellow), West Hartlepool; Mr. Albert Thomas Higgs (Fellow), Reading; Mr. Frederick Holliday (Fellow), Leeds; Mr. John Hyde (Fellow and Honorary Member), Montreal; Mr. George Harry Johnson (Fellow), Manchester; Mr. Percy Harold Johnson (Associate), Nairobi; Mr. William Edward Maclatchy (Associate), Belfast; Mr. William Jackson Meller (Associate), Leicester; Mr. George Mollison (Associate), Aberdeen; Mr. Victor Owlett (Associate), London; Mr. Hubert James Powditch (Associate), St. Columb Minor, Cornwall; Mr. Harry Riley (Fellow), Leeds; Mr. Frederic Walmsley (Fellow and Honorary Member), Bolton; Mr. Robert Parker (Associate), Blackpool.

SIR JAMES MARTIN MEMORIAL EXHIBITION.

The Council awarded the Sir James Martin Memorial Exhibition in connection with the Intermediate Examination, November, 1936, to Mr. Roland John Alban, Articled Clerk to Mr. F. J. Alban, C.B.E., Incorporated Accountant, Cardiff.

INCORPORATED ACCOUNTANTS' YEAR BOOK.

The Incorporated Accountants' Year Book for 1937 contains the names of 6,908 members, of whom 5,755 are in England and Wales, 134 in Scotland, 181 in Ireland, and 838 in the British Dominions and foreign countries. The first part of the book contains an alphabetical list of the whole of the members and of the firms of which they are partners, the latter appearing in italics. This is followed by a topographical list of members and firms classified under the names of the cities and towns. There are Branches of the Society in Scotland, Ireland, Australia, and South Africa, and in addition 23 District organisations in England and Wales, Scotland, Northern Ireland and India. The book contains a copy of the Society's Articles and Bye-Laws and the rules and regulations relating to the Incorporated Accountants' Benevolent Fund; likewise particulars of the facilities afforded for meetings at Incorporated Accountants' Hall.

Interpretation of Gold Clause.

As we go to press the decision of the House of Lords has been announced in the case of *The King v. International Trustee for Protection of Bond Holders Aktiengesellschaft*, upon which an article appeared in our December issue. The House of Lords have reversed the judgment of the Court of Appeal and re-instated that of Mr. Justice Branson. The reasons for the decision are to be given by their Lordships at a later date.

Society of Incorporated Accountants and Auditors

EXAMINATION RESULTS IN SOUTH AFRICA,

NOVEMBER, 1936.

Final.

Alphabetical Order.

ABRAHAMS, SIDNEY LIONEL, Clerk to Reuben Abrahams (Wolpert & Abrahams), 1-6, Wintons Chambers, West Street, Durban.

BITHREY, STANLEY ARTHUR, Clerk to A. S. Leith (Leith, Freake & Cade), 75, Maitland Street, Bloemfontein.

DUGMORE, CECIL EGERTON, Clerk to Douglas Low & Co., 700/710, Algis Buildings, Loveday St., Johannesburg.

FERRAR, WILLIAM HUGH, Clerk to Roberts, Allsworth, Cooper Brothers & Co., 89, Stanley House, Commissioner Street, Johannesburg.

GREENBERG, ALBERT AARON, Clerk to R. D. Anderson (Hemphill, Anderson & Co.), Surrey House, Corner Rissik and Commissioner Streets, Johannesburg.

HOWMAN, EDWARD HARTLEY, Clerk to E. C. Pulbrook, (Pulbrook & Wright), Manica Chambers, Manica Road, Salisbury, S. Rhodesia.

LONG-INNES, PETER VIVIAN, Clerk to Alexander Aiken (Alex. Aiken & Carter), National Bank Buildings, Simmonds Street, Johannesburg.

MACKENZIE, HECTOR CHARLES, Clerk to H. G. Galbraith (Douglas, MacKelvie, Galbraith & Co.), 102, St. George's Street, Cape Town.

PITTMAN, ALFRED TAYLOR, B.A., Finance Department, Town Council of Germiston, Transvaal.

RANDALL, RICHARD JAMES, Clerk to Alexander Aiken (Alex. Aiken & Carter), National Bank Buildings, Simmonds Street, Johannesburg.

ROSS, ROBERT GEORGE, Clerk to F. J. Beaton (Salisbury, Beaton & Raynham), 9/11, Christian Street, Kimberley.

TOMS, ROY WINFRED BLYTH, Clerk to H. Hyslop (Gibson, Hyslop & Co.), Reserve Bank Chambers, Wale Street, Cape Town.

VALPY, JAMES WYATT, Clerk to Deloitte, Plender Griffiths, Annan & Co., Norwich Union Buildings, St. George's Street, Cape Town.

WALKER, MARK SAVILLE BROWNLEE, Clerk to Francis Dix (Francis Dix & Co.), Stability Buildings, Fox Street, Johannesburg.

(22 Candidates failed to satisfy the Examiners.)

Intermediate.

Alphabetical Order.

BATTESON, COURTNEY SPENCER, Clerk to A. L. Norden (H. E. Mattinson & Partners), 36-41, Salisbury House, Smith Street, Durban.

JONES, JOHN ARTHUR, Clerk to Alfred E. Hurley (Deloitte, Plender, Griffiths, Annan & Co.), 21, Royal Exchange Buildings, Smith Street, Durban.

PARKER, HARRY LEONARD, Clerk to Sir Harry Hands (Hands & Shore), 106, St. George's Street, Cape Town.

SANDERSON, ALASTAIR AINSLIE, Clerk to Alfred E. Hurley (Deloitte, Plender, Griffiths, Annan & Co.), 21, Royal Exchange Buildings, Smith Street, Durban.

(8 Candidates failed to satisfy the Examiners.)

Preliminary.

Alphabetical Order.

DAVEY, LESLIE SIDNEY, 69, Westcliff Drive, Parkview, Johannesburg.

ELWES-WILSON, JAMES HUGH, 6, Observatory Avenue, Observatory, Johannesburg.

GAY, SAMUEL ROBERT, c/o Charles Hewitt & Co., 53/62, Sauer's Buildings, Loveday Street, Johannesburg.

REUNERT, JOHN MICHAEL, c/o Deloitte, Plender, Griffiths, Annan & Co., 201, Consolidated Building, Fox Street, Johannesburg.

(1) *Candidate failed to satisfy the Examiners.*

LAW REVISION COMMITTEE.

Summary of Recommendations.

The following is a summary of the more important recommendations of the Law Revision Committee in relation to the Statutes of Limitation, contained in their Fifth Interim Report:—

(1) That the period for all actions founded in tort or simple contract (including quasi-contract), for actions arising by virtue of statutory provisions (but not covered by a special limitation provision), and for actions upon a recognisance, should be six years; and the period for actions upon instruments under seal should be twelve years;

(3) That for actions to recover arrears of rent on a covenant under seal the period of limitation should be six years (as provided by sect. 42 of the Real Property Limitation Act, 1833) instead of the longer period applicable to actions upon instruments under seal;

(4) That in the case of an action to recover money charged on a reversionary interest in the proceeds of the sale of land, time should not begin to run until the reversion falls in;

(6) That time should not run in the case of a charge on a life insurance policy until the policy matures;

(8) That there should be a uniform period of limitation of twelve years for all claims against personal representatives, whether under a will or on intestacy and whether in respect of realty or personality;

(13) That actions to recover money charged on land should in no case be kept alive by a disability for more than thirty years;

(14) That an acknowledgment given to a person other than the person entitled to enforce the claim, or his agent, should in no case be effective to extend the period of limitation;

(15) That an acknowledgment signed by an agent should be effective in all cases to extend the period of limitation against the principal of such agent;

(16) That in simple contract actions acknowledgments and part payments should be effective to make the claim enforceable, irrespective of whether there is an implied promise to pay or not;

(17) That in all cases acknowledgments should only bind the persons making them and their successors in title, while part payments should also bind co-debtors, but that in no case should an acknowledgment or part payment made after the expiration of the period of limitation bind anyone except the person who makes the acknowledgment or part payment and his personal representatives;

(19) That in actions for relief in respect of mistake time should only run from the date when the mistake was, or could with reasonable diligence have been, discovered;

(23) That a uniform period of two years be prescribed for all actions for the recovery of penalties by information except under Acts relating to taxation.

A CASE OF FIDUCIARY POSITION.

Court of Appeal Judgment.

Before the Master of the Rolls and Lords Justices Romer and Greene.

This was an appeal from a decision of Mr. Justice Clauson and Mr. Justice Farwell, sitting as a bankruptcy Divisional Court, in a case which raised questions with regard to shares in Smith, Bulmer & Co.

The matter arose out of the bankruptcy of Sir James William Bulmer, who obtained his discharge in 1933. The circumstances were fully stated in our December issue (p. 104) in reporting the decision of Mr. Justice Clauson and Mr. Justice Farwell.

Mr. Alfred Greaves, Chartered Accountant, of Bradford, appealed against the decision of the Divisional Court affirming an order of the Bradford County Court Judge with regard to shares which Mr. Greaves bought from the National Provincial Bank in 1934.

By the order, Mr. Greaves was directed to transfer to the trustee in bankruptcy of Sir James Bulmer the shares he had bought and still retained, and to account for the proceeds of the shares he had sold.

Mr. Roxburgh, K.C., and Mr. P. B. Marle appeared for Mr. Greaves, and Sir G. Hurst, K.C., Mr. Stamp and Mr. Gerald Upjohn for the respondents (the Commissioners of Inland Revenue and the Trustee in Bankruptcy).

Mr. Roxburgh mentioned that the questions were whether Mr. Greaves was to be treated as though he had been elected a member of the committee of inspection in the bankruptcy of Sir James Bulmer, and, if so, whether he was liable to surrender the shares to the trustee in bankruptcy.

The Divisional Court had held, affirming the County Court Judge, that Mr. Greaves, who was chairman of Smith, Bulmer & Co., who were creditors in the bankruptcy of Sir James Bulmer, was in a fiduciary position, and was therefore precluded from purchasing the shares, though he acted innocently.

Mr. Roxburgh contended that Mr. Greaves was not a member of the committee of inspection, and was in no fiduciary position, and in consequence the decision of the Court below was wrong.

Counsel argued that it did not follow that Mr. Greaves was a member of the committee of inspection because he might have attended meetings as the representative of Smith, Bulmer & Co. There was no ground for suggesting that he knew when he bought the shares that he was buying something which was the subject of a fiduciary relationship between his company and the trustee in bankruptcy, and if, as the County Court Judge had found, he acted in innocence, it could not be said that he was in a fiduciary position.

In the event of it being held, however, that Mr. Greaves was to be treated as a member of the committee, Counsel contended that the Commissioners of Inland Revenue were not the persons who were entitled to enforce the fiduciary obligation, and the appeal ought to succeed for that reason.

The Court dismissed the appeal without calling on Counsel for the respondents.

In the course of his judgment, the Master of the Rolls said in his opinion the trustee in bankruptcy was the proper person to initiate the proceedings as representing the estate and the general body of creditors. He was not going to consider whether it was possible to appoint

a limited company as a member of a committee of inspection. He had the gravest doubt whether any such appointment was valid, but it was not necessary to decide the point.

Mr. Greaves represented the company on the committee of inspection, and his Lordship entirely concurred in the view expressed by the Divisional Court that Mr. Greaves was under the duties and obligations which by law attached to a member of the committee. The members of the committee of inspection were in a fiduciary position, and Mr. Greaves, it followed, had been properly held liable in the way in which the Court had held him liable to account.

The finding of the Divisional Court and the County Court that Mr. Greaves had acted innocently affected the extent of the order which the Court had made. This conclusion put no unfair burden on Mr. Greaves. All he had to do in a case of this sort was to make full disclosure or, if necessary, ask the sanction of the Court. He must make full disclosure if he knew the circumstances, and if he did not know the only burden which fell on him afterwards was that he was compelled by law to give up the advantages which he had no right to acquire, and therefore no right to retain.

The appeal would be dismissed.

The Lords Justices concurred.

REPORT OF COMMITTEE ON INSURANCE OF SHIPS.

In April last the Board of Trade appointed a Committee, consisting of Mr. A. T. Miller, K.C. (Chairman), Mr. Ernest Bevin and Mr. G. R. Rudolph, to enquire into the present system of insuring hulls of vessels in the light of recent judicial comments on the insured value of ships for total loss, and to report whether any change of practice is desirable or possible.

The Committee have now issued their report, and the following are their recommendations :—

(I) The present practice of issuing valued policies on hull or hull and machinery giving cover against the risks of total or constructive total loss, and also against the risks of particular average, general average, collision liability, &c., in which one valuation of hull and machinery is agreed for all purposes should be discontinued, and that the method designed by the market of a separate valuation for total or constructive total loss should be followed in all such policies.

(II) That an endeavour be made to give immediate effect to this recommendation (No. I) by agreement between the shipping and insurance interests concerned ; and that following such agreement, in order to secure universal use of the clause, or failing such agreement being come to, legislation be introduced to render the use of the Dual Valuation Clause compulsory in all policies on hull or hull and machinery.

(III) That the limitations introduced by the market of the amount permitted to be insured "policy proof of interest," "full interest admitted," or with any like phrase (except to the extent to which the assured may be able to show that his loss would in fact exceed the permitted percentage) should be universally applied to all hull or hull and machinery insurances.

(IV) That legislation be introduced to give effect to this recommendation (No. III).

ACCOUNTANT OFFICERS, ROYAL AIR FORCE.

The Air Ministry announces that an examination will be held towards the end of March, 1937, for the entry into the Accountant Branch of the Royal Air Force of qualified and experienced civil accountants. Not more than six vacancies are likely to be available. Candidates must have attained the age of 22 and not have attained the age of 26 on July 1st, 1937. No relaxation of these age limits will be permitted in any circumstances.

The competition will be held in London by the Civil Service Commissioners, and will include (1) an interview before a selection board at which stress will be laid on character and accounting experience and special weight given to the type of experience provided by articled service ; (2) an examination in English and general knowledge (essay, précis and questions to test knowledge of matters of current importance) ; and (3) an examination in book-keeping and accountancy (excluding partnership and executorship accounts), the standard being that of the Final examinations of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors.

The emoluments of an Accountant Officer consist on the one hand of pay and on the other of accommodation, fuel, light, rations and personal attendance provided in kind. When the latter are not available cash allowances are granted in lieu. The total of the pay and cash allowances of Accountant Officers range at present rates from about £363 a year for an officer on first entry to £1,131 a year for a married officer in the highest rank.

The Accountant Branch provides a permanent career. It is not, of course, possible to pledge the future, but so far as can be foreseen the Branch will be subject to no sudden changes affecting adversely the fortunes of its officers.

Officers enter the Branch on probation with the rank of Pilot Officer, and after twelve months' satisfactory service they are confirmed in their commission and promoted to Flying Officer. Promotion to the next rank, viz., Flight Lieutenant, is made, subject to qualification and suitability, after officers have attained six years' seniority as Flying Officers. The next step is to the rank of Squadron Leader, promotion to which is, subject to qualification and suitability, by seniority, but weighted by means of an antedate in respect of general efficiency so as to give accelerated promotion to officers who have shown special merit. Thereafter promotion is by selection. It is intended that every suitable Flying Officer should be promoted to Flight Lieutenant, that nearly every Flight Lieutenant should be promoted to Squadron Leader, that the majority of Squadron Leaders should be promoted to Wing Commander, and that a substantial minority of Wing Commanders should be promoted to Group Captain. It must be understood that promotion depends on requirements, and requirements on future circumstances, but the policy of the Air Ministry is directed to ensuring to Accountant Officers a career not inferior to that indicated above.

The length of the career provided depends on the rank attained. The compulsory retiring ages, which are subject to variation, are at present—for Squadron Leaders 53, for Wing Commanders 57, and for Group Captains 60 ; any officers not attaining the rank of Squadron Leader would be retired at the age of 50.

Application should be made to the Secretary, Air Ministry (S.7 (E)), Kingsway, London, W.C.2, for the regulations and for application forms. Completed application forms should reach the Air Ministry at latest by February 15th.

THE INDIAN COMPANIES AMENDMENT ACT, 1936.

FORM OF BALANCE SHEET (FORM F).

LIMITED.

BALANCE SHEET as at..... 19

CAPITAL AND LIABILITIES.		PROPERTY AND ASSETS.
CAPITAL		FIXED CAPITAL EXPENDITURE
Authorised Capital..... shares of Rs..... each .. (Distinguishing between the various classes of Capital.)		(Distinguishing as far as possible between expenditure upon goodwill, land, buildings, leaseholds, railway sidings, plant, machinery, furniture, development of property, patents, trade marks and designs, interest paid out of Capital during construction, &c., and stating in every case the original cost and the additions thereto and deductions therefrom during the year, and the total Depreciation written off under each head. Where sums have been written off on a reduction of capital or a revaluation of assets every balance sheet after the first balance sheet subsequent to the reduction or revaluation shall show the reduced figures, with the date of and the amount of the reduction made.)
Issued Capital shares of Rs..... each .. (i) Shares issued as fully paid up pursuant to any contract without payments being received in cash, shares of Rs..... each .. (ii) Shares issued for payments in cash, shares of Rs..... each ..		
Subscribed Capital, shares of Rs... each ..		
Amount called up at Rs... per share ..		
<i>Less</i> Calls unpaid— (i) due from Managing Agents .. (ii) due from others ..		
<i>Add</i> Forfeited shares (amount paid up).		
<i>Note</i> .—Where circumstances permit, issued and subscribed capital and amount called up may be shown as one item, e.g.,		
Issued and Subscribed Capital shares of Rs..... each, Rs... paid up ..		
RESERVES		
DEBENTURES, stating the nature of security		
ANY SINKING FUND		
ANY OTHER FUND CREATED OUT OF NET PROFITS, including any development fund		
ANY PENSION OR INSURANCE FUND		
PROVISION FOR BAD AND DOUBTFUL DEBTS		
LOANS — (a) Secured— (i) loans on mortgages or fixed assets .. (ii) loans on debentures .. (iii) loans from banks, stating the nature of security .. (iv) liabilities to subsidiary companies .. (v) other secured loans, stating the nature of Security .. (vi) interest accrued on mortgages, debentures or other secured loans ..		
		ADVANCES (Recoverable in cash or in kind or for value to be received, e.g., Rates, Taxes, Insurance, &c., showing separately— (i) loans given to subsidiary companies .. (ii) loans, including temporary advances made at any time during the year to directors or managers of the company)

FORM OF BALANCE SHEET (FORM F.)—Continued.

CAPITAL AND LIABILITIES.		PROPERTY AND ASSETS.	
(b) Unsecured—		INVESTMENTS	
(i) loans from banks		(Showing nature of investments and mode of valuation, e.g., Cost or Market Value and distinguishing—	
(ii) fixed deposits		(i) investments in Government or trust securities	
(iii) short-term loans		(ii) investments in shares, debentures or bonds (showing separately shares fully paid up and partly paid up)	
(iv) advances by directors or managers and managing agents		(iii) investments in shares, debentures or bonds of subsidiary companies	
(v) interest accruing but not due and interest accrued and due		(iv) immoveable properties	
(vi) liabilities to subsidiary companies		INTEREST ACCRUED ON INVESTMENTS	
UNCLAIMED DIVIDENDS		CASH AND OTHER BALANCES	
LIABILITIES—		Amount in hand	
For Goods supplied		Balance with Agents and Bankers (in detail showing whether on deposits or current accounts, &c.)	
For Expenses		Profit and Loss	
For Acceptances			
For Other Finance			
ADVANCE PAYMENTS AND UNEXPIRED DISCOUNTS			
(For the portion for which value has still to be given, e.g., in the case of the following classes of companies : Newspaper, Fire Insurance, Theatre, Club, Banking, Steamship Companies, &c.)			
PROFIT AND LOSS			
CONTINGENT LIABILITIES—			
Claims against the company not acknowledged as debts			
Money for which the company is contingently liable			
(Showing separately the amount of any guarantees given by the company on behalf of directors or officers of the company.)			
Arrears of Cumulative Preference Dividends			

The information required to be given under any of the items or sub-items in this Form if not included in the Balance Sheet itself shall be furnished in a separate Schedule or Schedules to be attached to and to form part of the Balance Sheet.

FORM H.

INFORMATION TO BE SUPPLIED IN OR IN ADDITION TO THE INFORMATION CONTAINED IN THE BALANCE SHEET OF A COMPANY REFERRED TO IN PART X.

Liabilities.

1. Summary of Authorised Share Capital and Issued Share Capital.
2. Redeemable Preference Shares, stating date on or before which the shares are or are liable to be redeemed.
3. Debentures stating the nature of the security.
4. Redeemed debentures which the Company has power to re-issue.
5. Loans (a) secured, stating nature of security.
(b) unsecured.
6. Loans from Banks :—
(a) Secured, stating nature of security.
(b) Unsecured.
7. Profit and Loss Account, showing (unless disclosed in a separate account) :—
Balance as per previous balance sheet.
Appropriations thereof.
Profit since last balance sheet.

8. Contingent liabilities.

9. Arrears of Cumulative Preference Dividend.

Assets.

1. Fixed Assets, with sufficient particulars to disclose their general nature, and stating how their values are arrived at.
2. Preliminary expenses, so far as not written off.
3. Any expenses incurred in connection with any issue of Share Capital or Debentures, so far as not written off.
4. If it is shown as a separate item in or is otherwise ascertainable from the books of the Company, or from any contract for the sale or purchase of any property to be acquired by the Company, or from any documents in the possession of the Company relating to the stamp duty payable in respect of any such contract or the conveyance of any such property the amount of the goodwill and of any patents and trade marks as so shown or ascertained.
5. Interest paid on capital, so far as not written off, showing the share capital on which and the rate at which interest has been paid out of capital during the period to which the accounts relate.

6. Discount allowed on shares issued, so far as not written off.
7. Commission paid or allowed in respect of any shares or debentures, so far as not written off.
8. Loans outstanding to enable employees or trustees on their behalf to purchase shares in the Company.
9. Particulars showing:—
 - (a) The amount of any loans which during the period to which the accounts relate have been made either by the Company or by any other person under a guarantee from or on a security provided by the Company to any director or officer of the Company, including any such loans which were repaid during the said period; and
 - (b) The amount of any loans made in manner aforesaid to any director or officer at any time before the period aforesaid and outstanding at the expiration thereof; and
 - (c) The total of the amount paid to the directors as remuneration for their services, inclusive of all fees, percentages or other emoluments, paid to or receivable by them by or from the Company or by or from any subsidiary Company.

Note (1).—There shall not be required to be shown:—

- (a) In the case of a Company the ordinary business of which includes the lending of money, loans made by the Company in the ordinary course of its business; or
- (b) Loans made by the Company to any employee of the Company if the loan does not exceed twenty thousand rupees and is certified by the directors of the Company to have been made in accordance with any practice adopted or about to be adopted by the Company with respect to loans to its employees.

Note (2).—The foregoing shall not apply in relation to a Managing Director of the Company, and in the case of any other director who holds any salaried employment or office in the Company there shall not be required to be included in the said total amount any sums paid to him except sums paid by way of directors' fees.

(Where a company is a holding company, then the balance sheet shall disclose the particulars required by sect. 132A.)

FORTHCOMING REVENUE CASES.

The following cases are on the lists for the Hilary Sittings:—

HOUSE OF LORDS

Moss Empires v. Commissioners of Inland Revenue.
Paton (Fenton's Trustee) v. Commissioners of Inland Revenue.

COURT OF APPEAL

National Mortgage and Agency Co. of New Zealand v. Commissioners of Inland Revenue. Appeal of National Mortgage and Agency Co. of New Zealand (set down December 12th).

Bower v. Commissioners of Inland Revenue. Appeal of Commissioners of Inland Revenue (set down May 8th).

The Commissioners of Inland Revenue v. Lawrence Graham & Co. Appeal of Commissioners of Inland Revenue (set down May 22nd).

Bishop (Inspector of Taxes) v. Belfield. Appeal of Bishop (set down May 22nd).

Reed v. Cattermole (Inspector of Taxes). Appeal of Cattermole (set down June 25th).

Rhokana Corporation, Ltd., v. Commissioners of Inland Revenue. Appeal of Commissioners of Inland Revenue (set down July 2nd).

KING'S BENCH DIVISION.

CASES STATED.

Hailwood & Ackroyd, Ltd., and J. Frame (Inspector of Taxes).

Sir Thomas D. Barlow and The Commissioners of Inland Revenue.

Woodhouse & Co., Ltd., and the Commissioners of Inland Revenue.

Evelyn Laye and C. Dodsworth (Inspector of Taxes).

Richard Hodgson Read and the Commissioners of Inland Revenue.

Mrs. C. M. Benn and the Commissioners of Inland Revenue.

Allied Newspapers, Ltd., and R. Hindsley (Inspector of Taxes).

Commissioners of Inland Revenue and N. D. Cohen.

John White's Trust, Ltd. (in liquidation), and the Commissioners of Inland Revenue.

Helen Palmer, Executrix of Richard Elliott Palmer, dec., and Frederick Joseph Cattermole (Inspector of Taxes).

L. K. Elmhirst and Commissioners of Inland Revenue.

F. Wilson (Inspector of Taxes) and J. K. Mannoch.

G. Dingley and H. C. MacNulty (Inspector of Taxes).

British Salmson Aero Engines, Ltd., and Commissioners of Inland Revenue.

The Trustees of Sir Harold A. Wernher's Charitable Trust and Commissioners of Inland Revenue.

Frederick Allen and Stephan Murray and H. A. Trehearne (Inspector of Taxes).

F. O. G. Lloyd and S. W. Grand (Inspector of Taxes).

G. H. Cross (Inspector of Taxes) and London & Provincial Trust, Ltd.

G. S. Duckworth and H. Lowe (Inspector of Taxes).

The London and Northern Estates Company, Ltd., and F. P. Harris (Inspector of Taxes).

G. A. H. Beams (Inspector of Taxes) and the Weardale Steel, Coal and Coke Company, Ltd.

W. P. Dreaper and H. D. Osborn (Inspector of Taxes).

E. Long (Inspector of Taxes) and Belfield Poultry Products, Ltd. (in liquidation).

Sir Harry Mallaby-Deeley, Bart., and Commissioners of Inland Revenue.

Thornber Brothers, Ltd., and N. G. Macinnes (Inspector of Taxes).

J. A. and J. Dawson and A. F. Wightman (Inspector of Taxes).

N. C. S. Down (Inspector of Taxes) and Archibald E. W. Compston.

ENGLISH INFORMATION.

Attorney-General v. Henry Dickinson and another.

Accountant Officers, Royal Naval Reserve.

The annual dinner of the Accountant Officers, Royal Naval Reserve, will be held at the Trocadero Restaurant, London, on Friday, February 12th. Information in regard to the dinner and tickets may be obtained from the Honorary Secretary, Paymaster Lieut.-Commander R. J. Hayward, R.D., R.N.R., F.C.A., 103, Cannon Street, London, E.C.4.

PUBLIC AUDITORS
Under the Friendly and Industrial and
Provident Societies Acts.

The Lords Commissioners of His Majesty's Treasury have appointed the following Incorporated Accountants to act as Public Auditors for Great Britain for the year ending December 31st, 1937, under the provisions of the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893, viz. :—

Acock, R. G., 69, London Street, Norwich ; Wayland Hall, Watton.
 Alban, F. J., C.B.E., Barclays Bank Chambers, Newport, Mon.
 Alexander, J. H., City Chambers, East Parade, Leeds, 1 ; High Street, Blackwood ; 15, Commercial Street, Pontypool.
 Allen, H. J., 37, Surrey Street, Sheffield, 1.
 Amsdon, E. V., 22, Walbrook, E.C.4 ; 18, High Street, Beckenham.
 Anderson, L. A., 137, High Street, Brentwood.
 Andrews, E., 12, Abbey Square, Chester.
 Antoine, B. W., Opposite Broadway Stations, Ealing, W.5.
 Arsmson, G. A., Bank House, 95, High Street, Lewisham, S.E.18.
 Armstrong, J., 22, Station Road, Workington.
 Arnold, C., 21, Bodfor Street, Rhyl ; 22, Vale Street, Denbigh ; 29, Church Street, Flint.
 Arnold, F. V., Midland Bank Chambers, 153, North Street, Brighton ; Midland Bank Chambers, 6, West Street, Horsham ; Flint House, 44, South Street, Chichester ; Bank House, Steyning.
 Ashworth, W., 22, Nicholas Street, Burnley.
 Atkins, J. R., 76, Derby Street, Macclesfield ; Union Bank Buildings, High Street, Congleton.
 Attiwell, R. J. T., 48/50, Exchange Buildings, Stephenson Place, Birmingham, 2.
 Bailey, H., 55, Brown Street, Manchester, 2.
 Baines, J. V., Curry's Chambers, 115, High Street, Stockton-on-Tees.
 Baker, W. B., 1, Silver Street, Berwick-on-Tweed.
 Ball, G., Market Place, Ossett.
 Bardell, A. P., 36, Paradise Street, Birmingham, 1.
 Barker, A. E. S., 20, Church Street, West Hartlepool.
 Barlow, S., 111, Corporation Street, Manchester, 4.
 Barrowcliff, C. P., 55 & 57, Albert Road, Middlesbrough.
 Bartfield, I., 91, Cookridge Street, Leeds, 2.
 Bartlett, R. Wilson, 24, Bridge Street, Newport, Mon.
 Baxter, C. F., National Provincial Chambers, High Street, Kettering.
 Bayliss, L. M., Gartlet House, Leighton Buzzard ; Market Square, Buckingham ; 45, South Street, Chichester ; 1a, London Road, Bognor Regis ; 28a, Broadway, Littlehampton.
 Bayliss, W. M., 16, Broad Street, Oxford.
 Beer, W. W., 17, Bedford Circus, Exeter ; Stevenson House, The Parade, Exmouth.
 Benbow, L., Derngate House, 45, Derngate, Northampton.
 Benjafield, A. J., 28, Chamberlain Street, Wells, Somerset ; 27, High Street, Glastonbury.
 Bennett, C. H., High Holborn House, High Holborn, W.C.1 ; 40, Cranbrook Road, Ilford.
 Bennett, D. H., 111a, High Street, Dovercourt.
 Bicker, H. J., Hinton Buildings, Hinton Road, Bournemouth.
 Binns, J., Exchange Buildings, Mirfield.
 Black, W. C., St. Thomas' Chambers, 147, High Street, Newport, I.O.W. ; 57, High Street, Ventnor, I.O.W.
 Blythen, S., O.B.E., Victoria Chambers, Long Eaton.
 Bolton, J. B., 42, Athol Street, Douglas, Isle of Man.
 Bowen, G. B., 18, Northampton Place, Swansea.
 Braddy, C. W., Westminster Bank Chambers, 91, High Street, Winchester.
 Bradley, E. R., 584, Christchurch Road, Boscombe, Hants.
 Branson, R. M., Allen House, Newarke Street, Leicester.
 Broadbent, J. W., 34, Kensington Road, Oldham.
 Brodie, J. Paterson, Moor House, Moorland Road, Burslem ; Albert Square, Biddulph.
 Brodie, R. M., 29, Scale Lane, Hull.
 Brown, E. T., Gresham Chambers, Lichfield Street, Wolverhampton ; Barclays Bank Chambers, Bilston.
 Bryant, A. C., 5, Pipe Lane, St. Augustine's, Bristol, 1.
 Buckle, C. D., 13, Cheapside, Bradford.
 Buckley, A. N., Union Chambers, 45 & 47, Commercial Street, Halifax.
 Bull, E., Bank Chambers, Devizes.
 Bullock, W., "Ansdeli," Longford Road, Gloucester.
 Burgess, G. W., 14, St. Mary Axe, Leadenhall Street, E.C.3.
 Bush, B., 18, Eldon Square, Newcastle-upon-Tyne, 1.
 Butler, J., 66, Albion Street, Leeds, 1.
 Campbell, D. E., 79, Lichfield Street, Wolverhampton.
 Carr, E. R., 33, Bowling Green Street, Leicester.
 Carter, E., County Chambers, King Street, Wakefield.
 Cattell, W. C., Bank Chambers, High Street, Kettering.
 Cessford, J. C., 23, Albany Street, Edinburgh.
 Chadwick, A., 16, Bolton Street, Bury ; 8, Garden Street, Ramsbottom.
 Chapman, J. A., 29, London Street, Fleetwood ; 2, Burton Street, Middleton, Lancs.
 Charles, W. H., 3, Greenfield Villas, Llanelli.
 Chater, T. F., Argus Chambers, High Street, Rushden.
 Claridge, C. E., 16, Leeds Road, Bradford.
 Clark, W., 29, Bradshawgate, Leigh, Lancs.
 Clarke, F. N., 4, Pavilion Buildings, Brighton, 1 ; Town Hall Chambers, Horsham.
 Clarke, S. W., District Bank Buildings, Church Street, Lancaster.
 Clarkson, P. D. J., 14, Winckley Square, Preston.
 Clayton, W., Milton Chambers, Milton Street, Nottingham.
 Clinch, S. H., M.B.E., 52, Bedford Row, W.C.1 ; Hurdis House, Broad Street, Seaford.
 Coates, F. W., 10, Albert Road, Middlesbrough ; 5, The Crescent, Redcar.
 Condie, J., 3, East Port, Dunfermline ; 1a, Candleriggs, Alloa.
 Coombs, T., Oxford Chambers, Victoria Square, Leeds, 1.
 Coope, F. W., Clifton Chambers, 23a, Clifton Street, Blackpool ; 1, Orchard Road, St. Annes-on-Sea.
 Cooper, D., Old Colony House, South King Street, Manchester, 2.
 Corbin, F. E., 9, King's Bench Walk, Temple, E.C.4.
 Couzens, J. V., 3, Victoria Crescent, Bradford Road Junction, Portsmouth.
 Cox, H. J., Cardiff Chambers, 4, Cardiff Road, Luton ; 2, Vaughan Road, Harpenden.
 Couzens, L. J., 8, East Stockwell Street, Colchester.
 Crawford, Col. E. W., C.B.E., D.S.O., St. Stephens House, 2, Coleman Street, E.C.2.
 Crick, Miss F. G., 31, Priestgate, Peterborough ; 22, Station Street, Spalding.
 Crowe, S. E., Midland Bank Chambers, Otley.
 Crowther, E., 10, Regent Street, Barnsley.
 Cryer, M. P., Old Bank Chambers, Keighley.
 Cunliffe, A. R., Station Buildings, 24a, Railway Street, Nelson, Lancs.
 Daffern, T. W., O.B.E., 19/20, High Street, Coventry ; 16, The Parade, Solihull.
 Daniels, A., Bank Chambers, 57, Palmerston Road, Southsea, Hants.
 Davey, F., O.B.E., Winscombe, 8, Manor Road, Cheam.
 Davey, H., 1, Crown Court, Wakefield.
 Davies, J., Egerton House, Egerton Street, Wrexham.
 Davies, O. W., Market Chambers, High Street, Kidderminster.
 Davies, Trevor, 160, High Street, Camden Town, N.W.1.
 Davis, B. T., Lombard House, Gt. Charles Street, Birmingham.

Davis, R., 28, High Street, Swindon.
 Dix, W. B., The Booth Hall, Evesham ; High Street, Pershore.
 Dixon, F., National Chambers, 4, Horsefair Street, Leicester.
 Downs, N. T., St. Peter's Hill, Grantham.
 Draper, J., Lloyds Bank Chambers, Hustlergate, Bradford.
 Dudbridge, J. S., 8, Lansdown, Stroud.
 Dudbridge, S., 8, Lansdown, Stroud.
 Duncan, D. C. N., Barclays Bank Chambers, 55, High Street, Grantham.
 Dunlop, R. T., 45, Renfield Street, Glasgow, C.2.
 Dyer, S. A., 5, Fenwick Street, Liverpool, 2.
 Eaves, W., 47, Mosley Street, Manchester, 2 ; County Bank Chambers, Chapel Street, Tyldeley.
 Ednie, A., 7, St. Paul's Square, Bedford.
 Edwards, A. H., 22, High East Street, Dorchester.
 Edwards, C. E., Bank Buildings, Aberdare.
 Edwards, H., Cornhill Chambers, Christina Street, Swansea.
 Edwards, R. H., Bank Chambers, 26, Mosley Street, Newcastle-upon-Tyne, 1.
 Elliott, E. A., 11, Hornby Street, Heywood.
 Emmans, R. J. F., 74, Broad Street, Teddington.
 Entwistle, B., 8, Green Street, Radcliffe, Manchester.
 Evans, H. R., 17, George Street, St. Helens, Lancs.
 Farnhead, J., 20 & 22, High Street, Chorley, Lancs.
 Feist, H. J. B., 44, Rectory Grove, Leigh-on-Sea.
 Ferneyhough, M. P., 6, Commerce Street, Longton, Staffs ; 23, Market Street, Huddersfield.
 Ferry, G. A., Prudential Chambers, 6/8, Bank Street, Carlisle ; 59, Bondgate Within, Alnwick ; 5, North Gate, Morpeth.
 Ford, W. J., Scottish Widows' Fund Buildings, 28, Baldwin Street, Bristol, 1.
 Forrest, L., National Provincial Bank Chambers, Batley.
 Forster, H., County Chambers, 6, Chestergate, Macclesfield.
 Fortune, G. W., 26, Forrest Road, Edinburgh.
 Foster, S. E., 29, Bank Street, Ashford, Kent.
 Fox, F. W., 14, King Street, Leicester.
 Francis, S. L., Creechurh Chambers, 9, De la Beche Street, Swansea.
 Freeborough, J. H., 25, Figtree Lane, Sheffield.
 Friend, A. H., 15, Alexandra Place, Newbridge, Mon.
 Fry, F. W., 27, Clement's Lane, Lombard Street, E.C.4.
 Gair, R., Emerson Chambers, Blackett Street, Newcastle-on-Tyne, 1.
 Gait, A., 1, The Foundry Bridge, Abertillery.
 Gardiner, G. F. H., Barclays Bank Chambers, Scarborough.
 Gardiner, H., 1A, Low Ousegate, York.
 Gardiner, H. T. G., Gore House, Cawley Road, E.9.
 Garner, R., 16, New Street, Leicester.
 Gerrard, R., 71 and 73, Lee Lane, Horwich.
 Gibson, J. W., Co-operative Chambers, Prince Street, Bristol, 1.
 Girling, A. F. J., Eldon Buildings, 20, Eldon Street, Barnsley.
 Goulding, E. S., O.B.E., 19, Sweeting Street, Liverpool, 2.
 Gowen, H. P., 7, Queen Street, Norwich ; The Square, Fakenham ; Bank Chambers, Norwich Street, Dereham.
 Grassam, J., 32, Alliance Avenue, Anlaby Road, Hull.
 Griffin, C. E. B., Corporation Buildings, Corporation Street, St. Helens, Lancs.
 Griffin, G. R., Daimler House, 33, Paradise Street, Birmingham, 1.
 Griffith, F., Westmorland Chambers, Kendal.
 Griffith, R. O., 44, Cannon Street, Preston ; 40, Poulton Street, Kirkham.
 Groves, T. J., M.C., 14, Scarborough Street, West Hartlepool.
 Hackett, P. R., 36, Cannon Street, Birmingham, 2.
 Hakim, G. J., Western Chambers, Station Approach, Hayes, Middx. ; 42, Station Road, West Drayton.
 Hall, B., 50, High Street, Shepton Mallet.
 Hall, F., 9, Oxford Row, Park Lane, Leeds, 1.
 Hallett, A., Eleven, Hill Street, Wrexham.
 Hanson, F. W., Court Chambers, Jessop Street, Castleford ; Chapel Lane, Kippax.
 Hargreaves, F., Bow Chambers, 55, Cross Street, Manchester, 2.
 Harper, C. E., 3/4, Clement's Inn, W.C.2.
 Harris, A. C., 104, Great Russell Street, W.C.1.
 Harris, H., 4, Middle Pavement, Nottingham.
 Harrison, C. D., Messrs. John Potter & Harrison, 22, Birley Street, Blackpool.
 Hayden, G. D., Market Place, Holt, Norfolk.
 Hayes, P. R., Midland Bank Chambers, High Street, Wrexham ; Compton House, Corwen.
 Hayhow, G. S., Purdy's Court, 84A, High Street, King's Lynn.
 Hayward, T., 1, Piccadilly, Bradford.
 Heatley, N. K., Temple Chambers, 33, Brazenose Street, Manchester, 2.
 Henderson, A., 62, Cross Street, Fraserburgh.
 Henshall, J., 29, Eastgate Row North, Chester.
 Hepburn, A. E., Abford House, Wilton Road, S.W.1.
 Hill, A. H., 8, Oxford Chambers, 12, St. Stephen Street, Bristol, 1.
 Hirst, G. L., 8, Bond Street, Dewsbury.
 Hobbs, A. M., 64, Great Portland Street, W.1.
 Hodge, H., National Provincial Chambers, High Street, Kettering.
 Hodgson, T., Clarence Chambers, 4, Piccadilly, Manchester, 1.
 Holliday, C. A., Dominion Buildings, 2, South Place, Moorgate, E.C.2.
 Hollows, R., Leader's Buildings, 33A, King Street, Wigan.
 Holman, W. J., Bilbao House, 36, New Broad Street, E.C.2.
 Holmes, H., 45, Ropergate End, Pontefract.
 Holmes, J. T. L., Midland Bank Chambers, Colwyn Bay.
 Horne, H. R., M.C., 29, Church Street, Ripley, Derbyshire.
 Horrocks, H., 5, Derwen Road, Bridgend, Glam.
 Horsfield, A., Belgrave Place, 8, Manchester Road, Bury.
 Horsfield, H. A., Clough's Buildings, 21, Forster Square, Bradford.
 Horsley-Carr, P., 27, Regent Street, Barnsley.
 Hort, J. H., 202, Stanley Road, Bootle, Liverpool, 20.
 Hubbard, F. L., 41, Havelock Road, Hastings.
 Hudson, T., 16, Leeds Road, Bradford.
 Hustwick, W., 70, Kirkgate, Bradford.
 Ingram, A. J., Central Buildings, West Sunniside, Sunderland.
 Jackson, G. H., 42, High Street, Sutton, Surrey.
 Jenkins, W. R. L., 71, Bridge Street, Newport, Mon.
 Jennings, F., Borough Chambers, Neath.
 Jessap, C. T., M.B.E., Old Post Office Chambers, Skegness ; Market Street, Spilsby, Lincs.
 John, A. S., Court Chambers, The Arcade, Pontypridd.
 Johnson, A. J., 35, Southgate Street, Winchester.
 Johnson, E. W., Wallgate Chambers, Wigan.
 Johnson, H. O., 3, Wood Street, Queen Square, Bath.
 Johnson, S., 5, Lower Temple Street, Birmingham.
 Johnstone, W., 13, Church Street, Kidderminster.
 Jones, A. H., 14, Market Street, Caernarvon.
 Jones, E. Furnival, 17, St. Helen's Place, Bishopsgate, E.C.3.
 Jones, H. B., Kingsway Chambers, King Street, Maidenhead.
 Judge, W. A., High Street, Skipton.
 Keens, A. T., 45, High Street, Aylesbury.
 Keens, Sir Thomas, 11, George Street West, Luton ; 19, College Road, Harrow-on-the-Hill ; 69, High Street, Stony Stratford ; 60, High Street, Newport Pagnell ; 4, Tilehouse Street, Hitchin.
 Kenyon, F. T., Midland Bank Chambers, Penrith ; Bank Chambers, Main Street, Keswick, Cumb.
 Keys, C., Athenaeum Chambers, 71, Temple Row, Birmingham, 2 ; 231, High Street, West Bromwich.
 Kilby, F. L., 1, Park Street, Brighouse.
 King, G. C., 106, Edmund Street, Birmingham.

Kirby, N. F., 54, Station Road, Sudbury, Suffolk.
 Kneale, H. E., St. George's Chambers, 1, Athol Street, Douglas, Isle of Man; Victoria Chambers, Parliament Street, Ramsey, Isle of Man.

Lake, J., 17, Northampton Place, Swansea.
 Lambert, W. E., 297, High Street North, East Ham, E.12.
 Larder, C., Camomile Street Chambers, Bishopsgate, E.C.3.
 Larking, C. G., Invicta Chambers, Pudding Lane, Maidstone.
 Larking, R. C., Orford Place, Norwich.
 Lashmore, C. S., 2, Church Street, Cardiff.
 Law, E. I. A. & E. Law & Co., Kingscourt, Bridge Street, Walsall.
 Lawrence, S., National Provincial Chambers, 33, Park Street, Walsall.
 Lawson, G. R., Cheapside Chambers, 23/25, Cheapside, Bradford.
 Laycock, S., Barclays Bank Chambers, North Street, Keighley.
 Lazenby, H., Wilson's Chambers, 7, Greek Street, Leeds, 1.
 Leah, H. B., 9, Warren Street, Stockport.
 Lee, F., 7, Balmoral Chambers, Cloth Hall Street, Huddersfield.
 Leech, W. L., 102, Friar Gate, Derby; High Street, Uttoxeter.
 Lentell, C. I., Kingsway, Fore Street, Seaton, Devon.
 Ling, W. A. J., 3-4, Great Winchester Street, E.C.2.
 Liversidge, H. G., Imperial Buildings, Rotherham.
 Lloyd, J. T., 3, Fore Street, Trowbridge.
 Lloyd, W., Priory Buildings, Priory Street, Dudley, Wors.
 Lloyd-Roberts, J., The Public Audit Offices, 2, Church Street, Caernarvon; "Cemlyn," Harlech.
 Lock, F. J., Northbank House, Clarendon Road, Watford.
 Lomax, H., 83, Bridge Street, Manchester, 3.
 Loveridge, A., 40, Hoghton Street, Southport.
 Lowe, J. T., Yorkshire Penny Bank Chambers, 7, Stricklandgate, Kendal.

McCUTCHEON, R. T., 113, St. Vincent Street, Glasgow, C.2.
 McDonald, T. W., 98, Palmerston Road, Wood Green, N.22.
 Macintyre, A., 12, Barncluith Road, Hamilton.
 Macmenemey, R., 49, Bath Street, Glasgow, C.2.
 McMurray, J. C., National Bank Buildings, Kilmarnock.
 Mahon, F., 4/5, Oriental Chambers, Doncaster.
 Mair, A. J., 5, Frederick Street, Sunderland.
 Marshall, R. N., 109A, Mortimer Street, Herne Bay; Town Hall Chambers, Westgate-on-Sea; 83, High Street, Broadstairs; 1, Albion Road, Birchington.
 Mason, E. H., 9, Clarence Street, Cheltenham.
 Mawson, J. D., 51, Boileau Road, Ealing, W.5.
 Mayhew, W. O., 62, Oxford Street, W.1.
 Merchant, H. A., 48, Uxbridge Road, Ealing, W.5; 75, High Street, Slough.
 Milford, C. A., Market Place, Settle.
 Millman, H. T., Allen House, Newarke Street, Leicester.
 Mills, F. W. T., 6, Priory Place, Doncaster; 167, High Street, Scunthorpe; 24/26, Wood Street, Wakefield.
 Milne, R., 68, Bath Street, Glasgow, C.2.
 Miskin, A., 8, Portland Street, Southampton.
 Moger, J. R., Martins Bank Chambers, Cleckheaton.
 Moores, C. S., 15, Bedford Circus, Exeter.
 Morgan, D. R., 51/52, Broad Street, Newtown, Mont.
 Morgan, E. C., Crown Chambers, 18, Market Street, Newtown, Mont.
 Moss, J., 28, Queen Street, Albert Square, Manchester, 2.
 Moulton, P. A., 21, Regent Street, Barnsley.
 Moustardier, M., 69, Downs Road, Clapton, E.5.
 Mullens, G. G., M.C., 49, Station Road, Port Talbot.

Naylor, R. O., 19, Albert Road, Morecambe and Heysham; The School House, Tebay.
 Neill, A., Westminster Bank Chambers, 196 and 198, High Street, Stoke Newington, N.16.
 Nelson, C. Hewetson, 43, Castle Street, Liverpool.
 Nicholson, J., 185, High Street, Lincoln; Market Place, Market Rasen.

Nicholson, J. S., Yorkshire Penny Bank Chambers, 70, Otley Road, Shipley, Yorks.
 Norfolk, W. J., Mayfield Chambers, 93, Station Road, Clacton-on-Sea.

Oates, G. G., 4 & 5, Oriental Chambers, Doncaster.
 Oldfield, J. W., "Baloeran," Caldene Avenue, Mytholmroyd.
 Oldfield, W., Lloyds Bank Buildings, 48, Gallowtree Gate, Leicester.
 Oldman, A. S., 27, North Albert Street, Fleetwood.
 Oxley, H., 22, Regent Street, Barnsley.

Page, J. C., May Buildings, 51, North John Street, Liverpool.
 Palmer, A. J., Portland Chambers, West Street, Fareham.
 Palmer, E. H., General Buildings, Bridlesmith Gate, Nottingham.
 Paterson, J., 18, Hamilton Street, Greenock; 18, Castle Street, Rothesay.
 Payne, C. C., 12, Upper King Street, Norwich; 6, Market Place, North Walsham; Red Lion Street, Aylsham.
 Payne, W. G., 3, Abchurch Yard, Cannon Street, E.C.4.
 Pearce, E. E., 20, Windsor Place, Cardiff.
 Pearce, M. E. J., 102, High Street, Poole.
 Pearson, W., 5, Godwin Street, Bradford.
 Pearson-Griffiths, J., Merthyr House, James Street, Cardiff.
 Pellatt, A. P., 26, Cheriton Place, Folkestone; 182, High Street, Hythe, Kent.
 Petrie, J. McR., Martins Bank Buildings, Bacup.
 Pettitt, S. R., Lloyds Bank Chambers, 45/47, Old Christchurch Road, Bournemouth.
 Plant, R. A., Midland Bank Chambers, Newdegate Street, Nuneaton.
 Platts, T. H., 126, Colmore Row, Birmingham, 3.
 Pocock, B. G., 90, Leith Mansions, Maida Vale, W.9.
 Potts, N., Union Bank Chambers, Market Street, Stalybridge.
 Pratt, A. J. S., 102, Victoria Road North, Portsmouth.
 Pratt, H. W., 60B, Oxford Street, Wellingborough.
 Prior, F. A., General Buildings, Bridlesmith Gate, Nottingham.
 Procter, S., County Bank Chambers, 41, Burnley Road, Padiham.
 Pugh, A. E., 19, Carlton Chambers, High Street, Newport, Mon.
 Pulsford, E. G., 233, High Street, Poole; Station Road, Broadstone.

Rees, W. H. S., 1, Charlesville Place, Neath; 1, Hamilton Terrace, Milford Haven.
 Revell, H. W., 7, St. George's Square, Huddersfield.
 Reynolds, J. W., 49, Bank Street, Bradford.
 Rhodes, J., 31, Manor Row, Bradford.
 Rhodes, W. H., Prudential Chambers, 10, Grey Friars, Leicester.
 Riches, E. J., 12, Bank Street, Norwich; Hamilton House, Church Street, Cromer.
 Riddington, C. R., Crown Buildings, Loseby Lane, Leicester.
 Ridsdale, J. S., Midland Bank Chambers, Bridge Street, Walsall.
 Ritchie, P. G., 49, Bath Street, Glasgow, C.2.
 Rodger, T., Percy Chambers, 34, Grainger Street West, Newcastle-upon-Tyne.
 Rogerson, C. E., York House, 12, York Street, Manchester, 2.
 Rollinson, C. E., 15, High Street, Newport, Mon.
 Ross, G., 31, Queen Street, Cardiff.
 Rowland, F. S., 90, Pilgrim Street, Newcastle-on-Tyne, 1.
 Ruscoe, B., The Old Mansion, St. Mary's Street, Shrewsbury; Savings Bank Chambers, Ludlow.
 Russell, P. W. G., 1, St. Martin's, Leicester.
 Russell, W. G. A., Ruskin Chambers, 191, Corporation Street, Birmingham.
 Ryland, H. C., 18, Defoe Avenue, Kew Gardens, Surrey.
 Saxton, C. C., Marygold House, Carfax, Oxford.

Scarlett, C. S., 5, Cecil Square, Margate ; 36, High Street, Ramsgate.

Schofield, A., 16 & 17, East Parade, Leeds, 1.

Scotter, S., Ferres Chambers, 22, Whitefriargate, Hull.

Shaw, E. B., Imperial Chambers, 43, New Street, Huddersfield.

Shepherd, J. W., C.B.E., 78, King Street, Manchester, 2.

Shepherd, W. A., Central Buildings, Tredegar Street, Risca.

Sievwright, W. B., 3, Kinnoull Street, Perth.

Simmonds, H. J., 7, Tremadoc Road, Clapham, S.W.4.

Sinclair, G. N., Prudential Chambers, Bailey Street, Oswestry.

Singleton, J. T., Grosvenor Chambers, 23, King Street, Nottingham.

Slater, H., Sussex House, Hobson Street, Cambridge ; Primrose House, High Street, Newmarket ; City Chambers, Market Street, Ely, Cambs.

Slater, J. T., 11, Queen Street, Oldham.

Sleeman, A. W. L., 10, Northampton Place, Swansea.

Slipper, R. A., Bridgeway House, Hammersmith Bridge Road, W.6 ; 223, High Street, Hounslow.

Sly, T. W., 6, Berkley Crescent, Gravesend ; Bennett Chambers, 113, Hoe Street, Walthamstow, E.17.

Smith, H., British Dominions House, 30, Cross Street, Manchester, 2.

Smith, W., 123, London Road North, Lowestoft.

Snow, W. Keller, 55, Quarry Street, Guildford ; 17, London Road, Horsham.

Soddy, R. J., 55, Gildredge Road, Eastbourne.

Sparrow, G. W., Prudential Chambers, Grey Friars, Leicester.

Spicer, R. C., 5, Bank Plain, Norwich.

Stables, H. C., Dale Road, Matlock.

Stacey, W. H., 2a, Whiting Street, Bury St. Edmunds ; 1a, Lynn Road, Ely, Cambs.

Starkie, R. E., Greek Street Chambers, Leeds, 1.

Stembridge, P. G., Town Hall, Droitwich Spa.

Stephens, C. T., 20, Westgate Chambers, Newport, Mon.

Stephenson, Joseph, O.B.E., Queen Street Chambers, Peterborough ; Queens Chambers, Bargate, Boston ; 3b, Market Place, Spalding ; 22, Castlegate, Newark ; The Broadway, St. Ives, Hunts. ; 5, Red Lion Square, Stamford ; 1, Grays Lane, March ; 30, High Street, Huntingdon ; Park Street, Chatteris ; Barclays Bank Chambers, 81, High Street, Seunthorpe ; 11, Market Chambers, St. Neots ; 13, Market Place, Brigg ; Foresters Hall, Long Sutton, Lincs. ; 4, The Bulwark, Brecon ; 93, High Street, Ramsey, Hunts.

Stewart, L. E., 22, Marefair, Northampton.

Storey, R. G., 8, Oxford Chambers, 12, St. Stephen Street, Bristol, 1.

Sturges, H. H., 1, Guildhall Chambers, 31-34, Basinghall Street, E.C.2.

Sunderland, W., Craven Bank Chambers, North Street, Keighley.

Tamplin, J., 15, High Street, Newport, Mon.

Tessier, A. N., 279, Borough High Street, S.E.1.

Thomas, D. B., Post Office Chambers, Merthyr Tydfil.

Thompson, J. W., 21, Henry Street, Keighley.

Thomson, J., The Crescent, 115, Drake Street, Rochdale.

Thomson, R. C., Meadow House, 64, Reform Street, Dundee.

Thorner, T., 82, Leman Street, E.1.

Thornley, J. C., Central Chambers, 1, Norfolk Street, King's Lynn ; Westgate, Hunstanton.

Towers, A. C., 15, Guildhall Road, Northampton.

Townsend, H., 4, The Broadway, Crouch End, N.8.

Tucker, F., 22a, Queen Street, Exeter.

Tucker, J. H., 82, Leman Street, E.1.

Tunbridge, S. T., 6, South Quay, Great Yarmouth.

Tyler, G. H., Central House, 75, New Street, Birmingham.

Vizard, L. N., M.C., 2, Clarence Parade, Cheltenham.

Walker, G. H., 37, Southgate, Halifax.

Walker, Percy H., 4, Park Place, Cardiff.

Walker, R. B., 1, Richmond Terrace, Blackburn.

Walker, W., 36, Park Square, Leeds, 1.

Wallace, W. D., 48, Loughborough Road, Kirkealdy.

Wallis, S. I., 3, King John's Chambers, Bridlesmith Gate, Nottingham.

Walters, W. L. J., Masonic Chambers, Gillingham, Dorset ; Market Square, Sturminster Newton.

Walters, W. T., Middle Street, Yeovil.

Walton, A., Legal and General Building, 7, South Parade, Leeds, 1.

Walton, N. H., Midland Bank Chambers, St. Thomas Street, Sunderland.

Ward, A., Martins Bank Chambers, 25, Sunbridge Road, Bradford.

Wareing, J., 11, Chapel Street, Preston.

Warmington, W. H., Overbury, Tewkesbury.

Warren, R., 3, Victoria Place, Haverfordwest ; Star Building, Guildhall Square, Cardigan.

Watson, A., County Buildings, 4, Cannon Street, Manchester, 3.

Watson, O. A., 10, Peacock Lane, Leicester.

Watts, Miss E., 13-14, Dartmouth Street, S.W.1.

Waud, N., "Melrose House," St. Sampson's Square, York.

Webb, E., 34, Grand Parade, Brighton, 7.

Wells, C. H., Independent Buildings, 21, Fargate, Sheffield.

West, H. W., Bank House, 618, Romford Road, Manor Park, E.12.

White, A. M., Erskine Chambers, 52, Grainger Street, Newcastle-upon-Tyne, 1.

White, E. G., Bank Chambers, Lammas Street, Carmarthen.

White, J. C., 172, Buckingham Palace Road, S.W.1.

White, P., M.B.E., 6, Sussex Terrace, Princess Square, Plymouth.

Whiting, W. F., Bridge Buildings, Nene Quay, Wisbech ; Market Place, March ; Church Passage, High Street, Mildenhall, Suffolk.

Williams, E. Clarke, 65, Oxford Street, Whitstable.

Williams, E. J., Exchange Buildings, 14, Lowther Street, Carlisle.

Williams, G. R., 19, Windsor Place, Cardiff.

Williams, T. E., Marlborough Chambers, 30, North John Street, Liverpool, 2.

Williamson, J. H., Booth Street Chambers, Ashton-under-Lyne.

Wilson, F. O., British Dominions House, 30, Cross Street, Manchester.

Wilson, S., Halifax Permanent Chambers, Cavendish Street, Keighley.

Windle, R. S., Midland Bank Chambers, Barnoldswick.

Witty, Richard A., 7, Union Court, Old Broad Street, E.C.2.

Wolstenholme, E. J., Crown Chambers, 36, Yorkshire Street, Rochdale.

Wood, H., 179, Dock Street, Newport, Mon.

Woolley, Fred, 8 and 10, Portland Terrace, Southampton.

Yates, J., 11, Mill Street, Warrington.

Yearsley, A., 27, Brazennose Street, Manchester, 2.

It has been calculated that an investment of £300 ten years ago in the purchase of £100 of the Deferred Stock of the British Electric Traction Company, Ltd., would, as a result of capital bonuses since distributed, now represent £427 of the stock, worth, at present market value, £6,700.

Some Accountancy Problems of Yesterday and To-day.

A LECTURE delivered before the Incorporated Accountants' London and District Society by

MR. E. FURNIVAL JONES, F.C.A.,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. EDWARD BALDRY, F.S.A.A., the Chairman of the District Society.

Mr. FURNIVAL JONES said:—Some years ago I began an address of this kind with an apology, and the Chairman—an old and experienced man—sat upon me rather heavily for doing so. “If,” he said, “the effort is a poor one, the fact will be sufficiently obvious to your audience. If it is reasonably good, your apology is mere affectation.” Therefore I will not risk an apology this evening.

THE SUBJECT.

I do not know whether reported lectures and speeches by members of our profession are widely read by other members, but anyone who has looked at the periodical literature of the profession in recent times must have been struck by the number of utterances dealing with such topics as the growth of the functions of the accountant; his increasing importance in various fields; the development of his methods of work; the fundamental principles of his science or art, or whatever it is, and so on. This may or may not be a healthy sign. It may be the perhaps pardonable vanity of those who are growing elderly concerning their achievements in the past. In such a case it may merely lead to complacent stagnation. It may, on the other hand, be a process of pulling ourselves up by the roots to see how we are growing. To the extent that this process leads to a critical examination of the methods we practise and the principles underlying them, it may be very much worth while. It is because so very many, much abler than myself, have already done this that I am nervous of the title of this address. There is so little to say that has not already been better said, and said—one would suppose—almost sufficiently often.

A correct appreciation of fundamental principles is, of course, highly important to every practitioner. It is equally true to say that in the day to day practice of any profession there is a temptation to accept the prevailing methods and conventions without question. In most cases it is quite safe to do so. Practices which the new entrant to the profession finds in operation have grown up as a result of the thought and experience of his predecessors, and they are probably well tested and sound. I have heard it said of one of the old examination tutors, that if a student asked him *why* such and such a thing was done he would reply, “Don’t you worry me about the reasons. That’s what you *do*.” For most of the problems which arise in the daily round and common task, such instruction is sufficient. But when the exceptional problem arises something more is wanted.

WHAT ARE ACCOUNTING PROBLEMS?

What are “accounting problems”? The dictionary tells us that a problem is “a matter difficult of settlement or solution.” Presumably, therefore, “accounting problems” are matters arising in dealing with accounts which are difficult of settlement or solution. We are discussing Accounting Problems, Past and Present. The question at once arises as to whether the present provides any such problems which did not exist in the past. If we go back far enough we are told that accounting problems did not exist for most people simply because

there was no accounting. No doubt there is still a diminishing number of people who regard any disagreeable truth which might be disclosed by proper accounts with the fine spirit of Mr. Podsnap—“I don’t want to know about it; I don’t choose to discuss it; I don’t admit it.” But as soon as any serious attempt was made to keep accounts, the big elementary problems had to be faced—and still have to be faced. These problems in their nature are the same yesterday, to-day, and, humanly speaking, for ever.

The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors have between them nineteen or twenty thousand members. How do they spend their time? It is safe to say that the greater part of them spend the greater part of their time recording commercial transactions in such a way as to tell the story of a business, or in checking such records; balancing the books, or trying to find out why they don’t balance; making up, or trying to make up, statements of account from incomplete or incorrect materials, or in checking and correcting such statements; initiating systems of accounting for new businesses; examining those of older businesses; ascertaining the facts about dying or dead businesses.

There have doubtless been changes, and some important changes, in method. The degree of importance attached to various kinds of work has changed. The fundamental nature of the problems, however, is much the same as it ever was.

PAST AND PRESENT.

May we remind ourselves of what I take to be the chief ends of man if he is an accountant. I think these may be stated as the keeping of records of an undertaking in such a manner as will show most conveniently and accurately

What has happened,
How it has happened,
What is happening,
What is likely to happen.

Most of the accounting work which we are called upon to do will fall under one of these headings. For example, What has happened covers the preparation of the Balance Sheet of a living business, or the Statement of Affairs of a dead or dying one. How it has happened—the Profit and Loss Account or the Deficiency Account. What is happening covers periodical Trading and Profit and Loss Accounts, Cost Records, Statistical Statements and Statements for what has come to be known as Budgetary Control, and so on. How such records can best be kept and used is the whole art of accounting.

I have made a rather hasty examination of some of the early issues of the *Accountant*, the *Incorporated Accountants' Journal*, and some of the transactions of early conferences and speeches at public dinners, with a view to finding out what our great men were thinking about 50 or more years ago.

The first volume of the *Accountant* starts in 1874. Nearly all the leading articles are on points arising in Bankruptcy Law and Practice, and the other pages are devoted to reports of law cases on bankruptcy and summaries of the figures in bankrupt estates in the principal towns. This subject occupies 94 per cent. of the space. Two per cent. of the space is occupied by a leading article, and a short series of papers on the most elementary aspects of this subject, and an address given to accountancy students in Scotland. Some space is devoted to the relations of accountants with solicitors, and the evils of touting. Income tax is not mentioned once; the rate was 2d. in the £.

The addresses to students are full of "uplift" and the leading articles make curious reading. Students are told that they "may become to one class of society as beneficial as the medical profession is to all classes. They nobly pursue their calling in administering to the sick and restoring to health those afflicted with disease. You are, on the other hand and in another sphere, independent of other portions of your profession, often found to be devoting your talents to the relief of families in misfortune and are sometimes called upon to be the advisers and comforters of the widow and the fatherless; and thus in attending on your daily avocations you are performing one of the first practical duties of the religion common to us all."

In 1875 there is an article in the *Accountant* dealing with the question of Commercial Morality. Like Elijah, we may not be much better than our fathers, but this article suggests that at any rate we are not very much worse. "There is," says the writer, "perhaps scarcely anything more deceptive than a balance sheet, except to really practised eyes. The way in which items appear apparently twice over, the very multitude of the figures confuse an ordinary mind. The innocent shareholder gazes in astonishment at the report of the company in which he has invested his money, and probably reads no more than the statement of the dividend, and the dignified sentence in which the auditors certify their examination of the company's accounts or testify to their correctness. The auditors are probably men of respectability and high standing, and he is satisfied with the fact that their names are appended to the balance sheet. What their examination has been, and to what they really testify, he perhaps scarcely knows. Directors of companies are generally chosen on the *lucus a non lucendo* principle, and their knowledge of the affairs of their company varies frequently in an inverse ratio with their confident assurance of its stability. There is one master spirit, be he secretary or managing director, to whom every particle of the concern is familiar, and in whose hands his nominal superiors are mere children. Too often the auditors are as simple as the directors, and are thus made the medium of still further deception. But a strong and resolute man can here be of immense service. If he considers himself, as he in fact is, the delegate of the shareholders, chosen to protect them and to act entirely in their interests, if he looks upon officials as his natural enemies, and pursues his task of investigation with fearless thoroughness, no harm can arise. Possibly reports would be less pleasant reading, and general meetings less peacefully serene, but many insolvent companies would be exposed before they had time to do much mischief, and investors—apart from pecuniary saving—would be more at ease in their mind in knowing the worst at once, and have the satisfaction of reflecting that there had been no opportunities for crafty knaves to reap a harvest by reading between the lines of an apparently cheering balance sheet." The metaphor is distinctly suggestive!

The first autumnal meetings of the Institute of Chartered Accountants were held 50 years ago. Some time seems to have been devoted at these early meetings to auditors' certificates, but the addresses and speeches were still largely concerned with liquidations, receiverships, bankruptcies, deeds of arrangement and absconding debtors. The question of income tax was very briefly referred to in a discussion, and one speaker—anticipating some of our modern economists—suggested the desirability of collecting complete sets of accounts of different businesses for a number of years, which would be available for reference. Similar subjects were discussed for several years, but company law and the duties and liabilities of auditors gradually assumed an increasing importance.

The *Incorporated Accountants' Journal* commenced its life in 1889—48 years ago. In the indexes to the first volume there are 34 entries relating to bankruptcy, three to income tax—one of which related only to accountants' charges—three to auditors. The reported lectures in this and other early volumes dealt with arbitration, life assurance, division of profits, company winding up, decimal coinage, retail accounts and asylum accounts. The editorial notes were concerned with a variety of subjects. Among other notes, the editor reported that "the Institute of Chartered Accountants has received another rebuff." The editor may have regretted this, but he successfully dissembled his grief. I can find few if any references in the indexes to the early volumes to taxation, costing, or even manufacturing accounts in any shape.

If one looks at the subjects discussed at Conferences in recent years one sees a very different picture. At the last International Congress, for example, the questions were—International Finance, Exchange Fluctuations, Holding and Subsidiary Companies, Accounting as an Aid to Commerce, Mechanical Accounting, Auditors' Responsibilities, Depreciation and Obsolescence. To take at random one number of the *Accountant* of recent years, one finds such subjects dealt with as—Man and the Machine, Accountants and Economics, Distribution, Cost Accounting, Practical Control of Selling Expenses, Rules of Finance and Accountancy in the Management of Large Business Combines, What Modern Methods mean to an accountant, and a whole section is devoted to Taxation in its various aspects.

Hardly a word in the old papers about Taxation, Costing, Statistical Records: relatively little about Utility Companies or even about ordinary Joint Stock Companies: practically nothing about that very important subject of recent years, the Holding Company, and nothing at all about Mechanical Accounting.

If we read or listen to what the public, other than accountants, say about us to-day, especially those distinguished gentlemen who toast us at public dinners, we get the impression that the problems with which we are chiefly concerned are the protection of our clients from the claims of the tax gatherer and the safeguarding of their shares in public companies.

TAXPAYER AND SHAREHOLDER.

The insistence upon these two interests, viz., those of the taxpayer and the shareholder, indicate very clearly the reason for the change which has taken place, not indeed in the problems of accounting, but in the emphasis which is placed upon certain of them. In earlier times businesses were to a large extent privately owned. A man was accountable only to himself, to his partner or partners, if any, and possibly to his banker. To-day every business has one important partner at least—the Inland Revenue Department—and a partner who takes approximately one quarter of the profits, but does not fully share in the losses, would have been regarded of old as having a very considerable interest. Every public joint stock company has a large number of partners in its shareholders. Every public utility company has a further partner in the public whose interests it is formed to serve. Each of these partners is interested in the accounts, but not always in the same way. It is because of the growth of the interests of these partners in trade and industry that the emphasis on various branches of accounting has shifted.

DIMINISHING INTEREST IN INSOLVENCY.

We have seen that 50 years ago a large, possibly the greater, part of accountants' activities were concerned with "insolvency." Why was this? Sir Josiah Stamp

in a recent address to the Accounting Research Association said that within his recollection as a Revenue Officer 30 to 35 years ago, the number of people who kept books and who made up a balance sheet was certainly a minority, and this would probably be within the experience of many of us. A retail tradesmen might take stock yearly—mainly to see whether it appeared unduly high or low—but the barometer by which he really tested his position was his ability to meet his monthly accounts or trade bills. Income tax was low and the assessor was easy. If he had a bad patch the bank was accommodating or his wholesale suppliers were patient. Only when things became very bad was the accountant called in, and the medicine of an arrangement or the quietus of a bankruptcy applied. Not until this stage was reached was anything resembling a statement of affairs, prepared by an expert accountant, considered necessary, and nothing but the crudest sort of profit and loss account was ever attempted. I do not say that this sort of thing was general, but it was not uncommon, and I think it goes some way to explain the relatively high importance of insolvency work among the professional accountants of earlier days.

THE REASONS.

In the literature of the profession, insolvency and bankruptcy now occupy a relatively small space. The accountant is more concerned with methods for ascertaining the health of a business and keeping it in health than in attending its obsequies. He is largely engaged in feeling its pulse and reporting upon its condition from time to time to the increasing number of persons who are interested in it.

The reasons for this change are many. One of them is, of course, the growth in the number of joint stock companies and the consequent spread of the ownership of industry over a larger number of interested persons. Another reason is the increase in the size of businesses, either by natural growth or amalgamation, and the necessity of providing means to keep boards of directors informed of matters which it is impossible for them to watch in detail. It is, however, also due to the introduction of the State as a party interested in the correct ascertainment of taxable profits and the interest of the taxpayer in being assured that he is not taxed on profits which he has not made. It is also, I think, due to some extent to the growth of joint stock banking and the consequent limitations of the discretion of the banker in dealing with his customer, which necessitates the production of authentic figures in support of applications for the granting or the continuance of bank accommodation.

PROFITS AND GAINS.

None of the problems which have arisen as a result of the change is, as I have said, new in its nature, but some of them have increased in their number and in their importance. The accounting problem is still the problem of ascertaining the facts about a business, and how such facts have arisen.

From the point of view of accounting, the first essential is still that records should be accurate, and the other essentials are that they should be rapidly made, readily summarised or analysed and easily understood. These are simple propositions, but they are not necessarily simple in their application. A picture of the position or a statement of affairs of a business which is dying or dead is a relatively simple matter. It is easier to discover the condition of a dead lion than a live dog, and we are mostly concerned as accountants with the records of living organisms.

The numerous partners in industry of every class are mainly concerned with what income tax Acts call "profits

and gains." The object of every business enterprise is gain. In the case of a public utility company this gain, or a considerable part of it, is described as "service." In passing, it may be noted that the use of the word service as descriptive of the operations of almost every kind of business has become a commonplace in the commercial jargon of recent years. Presumably the word is used for the comfort of the man who pays!

The end and aim of the business being gain, and the fact that by law some part of that gain is confiscated by the State, and that nothing but gain can properly be distributed as dividend among shareholders or prudently spent by a private owner, it follows that the most important part of the accountant's duties and the most insistent of his problems is the ascertainment of profit.

In addressing the Congress on Accounting in America, Sir William Plender—as he then was—said, "There are certain words in our language which are capable of many interpretations. They mean one thing to one person and quite another thing to someone else; they have one meaning under certain conditions and other meanings under different conditions. In the region of finance and accountancy I do not think that any word falls more completely into this category than the word "profits."

Nothing sounds simpler than the question "What are profits?" and nothing is simpler than to assess the profit on an isolated transaction. Neither is it difficult to assess the profits on a series of transactions if they are part of an adventure which is commenced and finished within a relatively short period of time. But the problem takes on another aspect when it is a question of ascertaining the profits applicable to a given year which are made by an undertaking in which capital was embarked years ago, and which is likely to continue to carry on business or manufacture for a number of years to come.

Strictly speaking, the true profit of an undertaking cannot be known until its life comes to an end, and even then—although it might be easy to state such profit in terms of money—the true profit might still be obscure. An illustration was given in a recent lecture of a man who embarked £100,000 in a business, which he carried on for twenty years. He drew from the business £1,000 a year, and he sold his assets at the end for £120,000. Measured in terms of money, his enterprise had resulted in a profit of £40,000. Expressed in terms of the purchasing power of money, it might have been equally true that he had lost the equivalent of 20,000 of his original pounds.

THE MEASURE OF VALUES.

I gather from the public utterances of some of our leading economists, in particular Sir Josiah Stamp and Professor Jones, that they want accountants to help the economists in dealing with the realities resulting from changes in the value of money and in the price level. If it were possible, as it may be, for accountants to do this, the results disclosed would certainly be interesting. It would mean, however, that the methods of thought of the public would have to undergo some very fundamental changes. You will remember the story of a schoolboy whose teacher of arithmetic expressed all his problems in terms of apples. When the boy, in an examination, had a question about oranges, he said he was unable to do it because all he knew about was apples. The "yardstick" which accountants and business people generally use to measure the results of their business is the pound sterling. Undoubtedly this fact produces a great deal of confusion of thought, particularly in the minds of those who have not given proper consideration to the nature of the figures in the balance sheet. I should not like to say there is no method which would lead to less confusion. But on this point we need more light.

As regards the fixed assets of any undertaking which is likely to be of a relatively permanent character, we all know that it does not much matter in what terms the capital and assets are expressed. Earning power is the test. Balance sheet values have not necessarily a direct relation to anything but cost. The £1 share in a company, although the shareholder probably thinks of it as £1, is merely the measure as against other shareholders of his interest in the earnings of the business or in its surplus or deficiency if it comes to an end. All this is very trite and obvious to us, but it seems necessary to keep on saying it.

ASCERTAINMENT OF PROFITS AND LOSSES.

We have seen that various classes of people are interested in the ascertainment of profits and losses, and one would suppose that they are profits and losses for any purpose and cannot be anything else.

The partner who has the first pick in the profits is the tax gatherer. The dicta of our Judges in this matter are unexceptionable. For instance, we have been told from the Bench that "the profits arising or accruing from a business which are assessable to income tax are none other than those which are ascertained on ordinary principles of commercial trading by a sound system of commercial book-keeping, except in so far as the rules of Schedule D require a departure to be made from that method." I am sure that all who are listening to this lecture consistently try to persuade the taxing authorities to live up to this principle, but we must all know of many instances where the application of it does not appear to be so precise as we should like.

Another important class of people who are interested in profits are the shareholders of public companies. The profits of such companies have to be ascertained by or on behalf of the directors and verified, so far as possible, by the auditors. This has to be done at yearly or other intervals during the life of a going business, trading or manufacturing. The current assets and liabilities of such an undertaking are in a constant state of flux. The profit earned up to any given date is not necessarily in a form in which it can be readily distributed. The reality of the profit depends upon the soundness of somebody's judgment as to whether certain sorts of assets can be turned into money equal to the amount at which such assets are brought into the account; whether the stocks are properly valued; what the book debts are worth; whether the work in progress will finish its journey according to plan; whether all proper charges have been provided for.

In his recently reported address to the newly formed Accounting Research Association, Sir Josiah Stamp seemed to express some doubt as to whether accountants really understood the conventional methods of dealing with these problems even in a simple case.

HOLDING COMPANIES.

I think he rather under-rated our understanding, but he did touch upon one problem—the problem of the holding company, or the parent company with subsidiaries—where an adequate convention has hardly yet developed. Legislation as to the presentation of accounts of holding and parent companies has up to now been hesitating and experimental. The commercial and accountancy practice has not developed any uniform standard, but has in general gone very little ahead of the legal requirements. There is a need, I think, to create a clearer and stronger public opinion upon the form of the published accounts of holding and parent companies, in which fuller recognition shall be given to the fact that subsidiaries are commonly merely branch businesses or departments operated under a special form.

THE RUNNING COMMENTARY.

For the proper control of many businesses of moderate size and of most large undertakings, the information provided by annual accounts has long proved inadequate. The problem of how to provide accounts and statements in the form of a running commentary for the guidance of the management has therefore become more and more urgent in recent years. This has led to the development of systems of costing and budgeting, knowledge of which should form part of the study of every modern accountant.

MECHANICAL METHODS.

This need has also led to, and been helped by, the invention of mechanical appliances and their application to accounts. This is, relatively speaking, a new field of study, and it provides a number of problems to occupy the minds of the most ingenious accountant. One of the more difficult of these problems, it seems to me, is that of combining the full and permanent records which we desire, and which the older methods did in a large degree provide, with the rapidity of calculation and summation which machine methods render possible. There is a growing literature on the subject with which the older among us find it difficult to keep pace.

DEPRECIATION AND OBSOLESCENCE.

I now propose to descend for a few minutes from the general to the particular. It has been said, and we shall probably all agree, that the spreading of expenditure or of income fairly over any given periods of time is the central problem of modern accountancy.

I shall take only one item—not because it is the only important one, but because it is a very important one and one of which the development of modern industry has increased the importance—and because there is not time to deal even in the most sketchy way with more than one. I refer to the problem of depreciation and obsolescence—and it will be found that what I have to say raises more questions than I have attempted to answer.

Depreciation is an accountancy problem which is always with us. As accountants we are apt to consider the ascertainment of depreciation as the complement of the ascertainment of values. Fluctuations in value may arise from many causes, some due entirely to external conditions and unaffected by age or use, but depreciation as we use the term is limited to depreciation by effluxion of time or by use.

If we are merely considering values it is difficult to say when depreciation takes place, or even whether at any given time it has taken place at all. A change in value which may be akin to depreciation, although it is not depreciation by use, takes place immediately a capital asset is acquired. There is the well known and often quoted example of the big ship. The "Queen Mary" in the shipbuilders' yard was a *floating asset* and was worth its price to the shipbuilder. As soon as it was handed over to the shipping company and floated in the Clyde it became a *fixed asset* of the company, and who could say what its value really was. Its value would then depend upon the ability of the company to earn profits by its use, but it would appear in the books of the company at cost.

The same applies to a motor lorry, the character and value of which changes as soon as it is transferred from the factory where it is made, or the showroom, to the undertaking which is to employ it for business. It applies even more sharply to machinery and plant taken to the user's factory and fixed to the premises.

Depreciation affects not only the profit and loss account; it also affects the balance sheet and the values attached to the assets appearing therein. It is quite clear that

different methods of arriving at depreciation will have different effects upon the values appearing in the balance sheet. Half-way through the life of the asset these differences may be very considerable indeed.

Are we correct in assuming that in considering values any one method of depreciation would be right, or none of them? I have no doubt that many members of the public, when they see assets appearing in the balance sheet at £100,000 believe that somehow or other £100,000 are in the company's possession, or something which is worth £100,000. I do not think the Stock Exchange—consciously or unconsciously—take this view, but by various mysterious processes which do not form part of an accountancy problem they arrive at the value of the company's assets by reference to past, present or future earnings.

It would not, I think, be correct to say that the Stock Exchange disregards balance sheet values. What it does, in effect, is to add or deduct a figure which really represents goodwill, which may not appear in the balance sheet at all—and to vary its valuation according to the prevailing price of money, and possibly also to changes in its purchasing power. In a rough sort of way they do what the economists seem to want us to attempt. As a result, we frequently find that the market value of the shares in a company varies considerably from the value of the undertaking as shown in the balance sheet. The difference is really a profit or a loss—which is disregarded by the accountant.

Before leaving this aspect of the subject, another more practical point may be noticed.

In his recent address, Sir Josiah Stamp referred to capital expenditure on certain mining properties which he had investigated, the composition of which he had found it impossible to ascertain. I am afraid that in many undertakings it would be very difficult to produce a clear statement of the composition of much of the capital expenditure showing the values which were attached to each item or group of items of plant, and the depreciation which had been provided against them, or even to produce a clear and convincing statement which would show that the value attached to all items which had gone out of effective use had been eliminated.

Using the word "depreciation," however, merely to express the exhaustion of physical assets by use or the effluxion of time, we all recognise that unless provision is made for this out of current profits, the day will come when assets require replacement and the company must either cease business or raise fresh capital in order to maintain existing revenue.

The theory is simply stated and easily understood, but this is another case of "theory being the mouse in the jaws of the tiger of experience." If we need only present the still-life pictures we call balance sheets at intervals equal to the life of the fixed assets of a concern, we should of course charge against the profits of the period the whole cost of the assets whose usefulness was exhausted in the period, and the balance would represent profit available for distribution. Provided there had been no rise in values during the period, the concern could replace its assets out of the amounts written off profits and continue on an even keel.

But we are faced with the necessity of producing balance sheets or estimating costs at frequent and regular intervals, which have no relation to the life of the fixed assets, and it is this which creates the problem. The first difficulty we are met with is to find someone able to prophesy what will be the period of the useful life of the assets. There are no "mortality tables" such as our actuarial brethren have, to which we can appeal, and

we have to rely upon works managers and engineers for our guidance. We are constantly being told that accountants are not supplying economists or one another with information which would enable reliable estimates to be made for the guidance of those whose duty it is to investigate the results of industry or for those who contemplate the setting up of new plant.

I am by no means clear as to what it is that the economists want us to do and which we are able to do, but it is possible that some useful service to industry might be given if statistics derived from actual experience could be compiled and collated showing the periods during which different types of assets have actually been in useful employment.

The subject is, however, not free from complications. New inventions or methods may render machinery or plant obsolete and uneconomic long before its capacity for use is exhausted. But even if a reasonable expectation of life could be ascertained, there remains a further problem to be settled. How should the provision for depreciation be spread over the different financial periods which occur during the life of the asset? Remembering that one of the cardinal virtues of a business concern is that its profits should be steady and not show violent fluctuations from year to year, most of us would make it our aim to spread the charge for depreciation in such a way that it will help towards this ideal.

Every student could tell you that there are at least three methods by which an attempt is made to deal with this problem. In practice, the commonest method of arriving at the annual charge for depreciation (by a fixed percentage of the diminishing value) does not attempt to do this. If 5 per cent. per annum is written off by this method from the cost of an asset with an assumed life of twenty years, the charge per £100 of original cost is £5 in the first year and £1 17s. 9d. in the twentieth year, when there still remains £35 17s. not provided for. In ordinary manufacturing concerns the inequities of this system may not have serious consequences, as the charge for depreciation often represents only a fraction of the total costs of production. The criticism remains, however, and we might do our part in educating the business world to take a more intelligent approach to what is a very important problem if the long view is taken.

An alternative method is to provide for depreciation by the straight-line method; that is, to spread the charge equally over the assumed life. Under this method the charge is, of course, £5 in each year, and there would be no balance remaining at the end of twenty years. At first sight this appears to achieve our aim of uniformity, but it ignores one very important factor, especially in concerns where depreciation forms a high proportion of production costs. The profits retained in the business by the amount set aside to meet accruing depreciation are not idle. They may be invested outside, but are more often absorbed in increased capital expenditure within the concern. In either event they will be remunerative, and this is a factor which cannot be ignored if the ideal of smoothness is to be attained. On our straight-line method the charge for depreciation in the first and last year is £5, but in the last year there will also be an income of, say 5 per cent. on the £95 accumulated amount of depreciation—£4 15s. Thus, the combined effect of the depreciation and interest will be a charge of 5s. only in that year.

These considerations have led in recent years to a powerful body of opinion in favour of a third—the sinking fund method—which has the effect, after bringing into account the interest earned on the accumulation of amounts set aside, of an equal burden annually. This,

of course, will only be exactly the case when fruits of assets representing the depreciation reserve are at the same rate as the rate of interest assumed in fixing sinking fund instalments. In the fructification of capital expenditure of, for instance, public utility undertakings, gradualness is inevitable, and it seems only reasonable that the burden of depreciation should bear some relation to the fruition of the capital expenditure. In such cases the sinking fund method has this to commend it, that as revenue will only be credited with the exact amount of the fruits of the capital expenditure, the sinking fund charge will increase year by year until the fruits of the capital expenditure representing the investment of the sinking fund have reached the rate of interest assumed in fixing the sinking fund instalments. The sinking fund method has therefore much to commend it from the theoretical standpoint, especially for public utility companies, but so far has not been generally adopted, partly, no doubt, owing to the difficulties involved in the calculations, as compared with the simplicity of the "reducing balance" or "straight-line" methods.

Going back for a moment to the question of balance sheet values, it may be remarked that on an assumed life of 20 years the value of an asset after fifteen years of use would appear in the balance sheet:—

Under the reducing balance method	
(at 5 per cent. per annum) ..	at 46% of cost,
Under the straight-line method ..	at 25% of cost,
Under the sinking fund method	
(at 4 per cent. interest) ..	at 32% of cost.

They cannot all be right.

One other point might be mentioned in connection with this thorny subject. The ideal of continuity and regularity of profits involves that the prudent point of view is to consider the depreciation provision rather as a provision for replacement or renewal than for the writing off of existing assets. It is, of course, very often the case that existing assets will not be duplicated at the end of their life; new methods, larger units and changes in the level of prices all play their part in fixing the amount required for renewals.

The ideal position for any concern is to be able to meet out of its retained profits, as and when required, all capital expenditure which does not of itself involve an increase in revenue. Is it necessary to provide by way of depreciation more than the original cost of the asset without any regard to changing values? In the past, before the war, the value of money did not change rapidly in this country, and except during the war period and for a period shortly afterwards, the problem has not perhaps been very serious. But that it has importance may be seen by taking an extreme case which was quoted in an article published in America by Mr. G. O. May in reference to the German railway system and the post-war currency depreciation in that country. He pointed out that at the lowest point of currency depreciation, the pre-war investment in the German railways, expressed in marks, would have had a value in stable currency of less than a dollar, and the annual exhaustion of property (or the retirements) in respect thereof computed in marks upon the cost in marks would have been equivalent to less than a cent.

The renewals of any of the plant for which this infinitesimal sum had been provided would, at that time, have been expressed in astronomic figures. It is extremely difficult, of course, to find any measure of the probable incidence of future expenditure on renewals, but it is easy to imagine circumstances where it is obviously prudent that something more should be

provided out of current profits than the exact amount of the original capital expenditure.

These considerations will serve to emphasise how inexact is the science of accountancy. You may remember the words of Ulysses "right and wrong—between whose endless jar justice resides." There is no absolute standard of what is "true and correct," and our responsibilities are all the heavier in consequence; for we must find the point which is determined by the "endless jar" of right and wrong. It is well, therefore, to remind ourselves again that the true profit of any undertaking cannot be ascertained till its life comes to an end, and that our greatest problems arise from our efforts to find means of apportioning such profits over arbitrary divisions of time—without any knowledge of what the future may hold. Like Sir Isaac Newton, we have to gather the pebbles from the sea shore, while the great ocean lies unexplored before us.

If we go back to first principles there is, I think, no difference between income profits and capital profits. The necessity for distinguishing between them has largely risen from the introduction of interests into the ownership of property or commercial and industrial adventures other than those of a single proprietor or adventurer.

I have already referred to the discussions at International Congresses, and in reading their transactions one is frequently pulled up by statements which give one violently to think. One distinguished American delegate at the New York Congress said that to him it was inconceivable that they could say that there were any profits to be divided among shareholders when their investment was impaired. In New York State they had a provision under statute forbidding the distribution of profits while the capital was impaired. He was convinced that that salutary provision should be supported by accountants everywhere.

I do not know how the New York Statute to which he refers is enforced, or how the American accountants find it possible to ascertain that capital is unimpaired. Mr. May, to whom I have already referred, and who is well known as the head of Price, Waterhouse & Co., in New York, and may therefore be regarded as by no means the least important accountant in that country, was cross-examined in the Courts about a balance sheet which he had certified as correctly setting forth the financial condition of the company at a certain date, and he said he believed that statement to be true. That balance sheet showed a surplus of \$486,000. Mr. May stated in evidence that if he had certified to a surplus of only \$236,000 that also would have been correct. His reason will, of course, be obvious to a meeting of accountants. The difference of \$250,000 represented in his mind the reasonable limit of differences of opinion as to the value of certain of the assets, but it might well have been that the adoption of one opinion would have shown an apparent loss of capital, and of the other opinion an appreciation of capital.

This again illustrates the statement that it is not so easy as some of the public would imagine to decide what is true and correct. Our task is the collection and examination of facts and the exercise of judgment upon them, so that, in Othello's words, "we speak of them as they are." This is the main problem of accounting, past, present and future.

Professor Jones accused us in a lecture of only being able to present a blank sheet to the economists and the engineers when they wanted our help. I do not think that even as regards the past the criticisms of the economists were, and possibly they were not intended to

be, entirely just, but coming from such quarters they cannot be ignored. At a meeting of accountants 50 years ago, one of the speakers gave the advice, "See to it that all your figures are facts." I do not think we have changed our desire to represent facts as we see them. Sir Josiah Stamp has referred to a balance sheet as a photograph of the undertaking at a given date. Our role may in a limited sense be regarded as that of a professional photographer. There is abundant scope for the individuality of the artist, but the aim must be that the product of our art will bear *some* resemblance to the facts, recognisable by those for whose eyes it is produced. A photograph, however, does not show everything any more than a superficial observation of the object does. You may remember that Artemus Ward directed someone to his house and said "It is just over the bridge, with a cupola and a mortgage on it." No doubt a photograph would show the cupola but would not disclose the mortgage, just as a photograph of Uncle Henry might not tell you all you wanted to know about him.

We must take care, however, that in any attempt to meet the wishes of the eminent economist to whom I have referred we should not forsake the relatively safe profession of photographer for the dreams of the surrealist.

Much if not all that I have been saying will, I fear, have sounded obvious and elementary to most of my hearers. I make no apology for that. It may not do any of us any harm now and then to think again about the simple things which in our concern with the complexities of life we sometimes forget.

Discussion.

The CHAIRMAN, in opening the discussion, said that Mr. Furnival Jones was, as those present knew, one of the few people who could make what was believed to be a dull subject—accountancy—not only interesting but entertaining. He had told them how, in about fifty years, their profession had progressed from knowing everything about nothing to knowing nothing about everything. He (the Chairman) thought there was a good deal of truth in that. The Lecturer had also made some reference to the remarks of Lord Plender in America, in which attention was drawn to the fact that terminology in accountancy was very inexact, and the particular reference to "profits" tended to support the view that inexactness was unavoidable because there must be a number of definitions of the same thing in varying circumstances. But he (the Chairman) thought, and had done for a long time, that the terminology of the accountancy profession was quite unnecessarily inexact. There could be conventions attaching to particular meanings if they only made up their minds in the profession to use them. The Lecturer had made some reference to "work in progress." That meant to him (the Chairman) something quite definite. He happened to be having a talk with one of the Society's examiners some months ago, and that examiner not only held a view which differed slightly from his own but told him that 99 per cent. of the students—who must be right—held a view which was diametrically opposed to his own. When thinking of work in progress the question arose "Ought one to take profit at an intermediate stage?" That was one of the main problems in the valuation of work in progress. It seemed to him that if any question of taking profit on work in progress was in mind, work in progress could only refer to *sold* goods or to contracts with an ascertained ultimate price known at the date of the balance sheet. Work in progress was by no means the same thing as partly manufactured stock. Partly manufactured stock represented goods in course of manufacture which had not been sold; therefore no possible question of taking profit could arise. Work in progress was contract work or other kind of work which had been sold at the date of the balance sheet and therefore, in appropriate cases, the question of taking profit or providing for loss might be very material. He might be entirely wrong in his view, but was it not too absurd that

the profession which invented the term "work in progress" could not make up its mind as to what it meant by it? One of these days he was going to deliver a lecture—from which all reporters would be excluded—on "What is wrong with the Accountancy Profession." Ninety-nine per cent. of their practice was good and sound, but they were often slaves to convention, and he had to confess that he was very disturbed nowadays at the profession's tacit acceptance of the existing position as being necessarily right, when sometimes it was far from right. Mr. Furnival Jones had that evening multiplied the instances in which it was impossible for any human being to give the value of a thing. He (the Chairman) knew that the question of value was an extremely difficult one, but there were innumerable cases in balance sheets in which the expression of the value of assets could be, and should be, perfectly easily made. They all knew that in many balance sheets there were undervalued assets; the items were really worth considerably more than their balance sheet values. He suggested that for knowledge to be in the hands of certain people that the assets of a company were worth one million pounds, whereas to the general body of shareholders whose information was based on an audited balance sheet they were worth only five hundred thousand pounds, was a thing they, as accountants, should not tolerate if they could avoid it.

Mr. WALTER HOLMAN (Vice-President of the Parent Society) said he was very glad to have the opportunity of saying how greatly they had all enjoyed the lecture Mr. Furnival Jones had given them. The Lecturer was wise in his opening remarks to disclaim any intention to apologise because having heard the paper they realised that any apology would have been sheer affectation, and Mr. Furnival Jones was the last person whom one would accuse of that failing. He had listened with extreme interest and pleasure to the Lecturer's review of the past, for it carried his mind back to the earlier days when he started practice. The Lecturer had not referred to one of the activities which he (the speaker) thought must have been one of the principal jobs of the earlier accountants—the actual keeping of the books of traders. Certainly insolvency work occupied a very large proportion of their time, but he was sure the earlier accountants spent a large portion of their time in writing up the books of traders. Gradually the process of evolution led to the work of accountants developing into checking rather than writing up, and some of them remembered that their earlier days were spent almost entirely on checking postings and castings. To-day the position had changed and he was not sure that the profession had yet faced up to the change which had been brought about by the introduction of methods of mechanical accountancy. The old methods of checking postings had largely gone and would in time, he believed, entirely go. The introduction of control accounts had made much of the mechanical work, which used to form a large portion of accountancy work, unnecessary and redundant, and he was sure accountants had to evolve a new system, a new technique of auditing, in order to cope with the changes which had taken place by the introduction of mechanical methods. Mr. Furnival Jones had rather hinted that there was a growing library or bibliography in connection with modern methods, but he was certain that there was still room for development in that direction. They had to face up to the fact that their methods must be constantly adapted to meet changing conditions. He was not going to attempt to follow the Lecturer in his very interesting remarks on depreciation. He merely wanted to close by saying that if the work of accountants was that of photography, they must make sure that in the process of re-touching the picture did not become distorted. The process of summarising and condensing accounts for issue to shareholders required careful supervision lest the impression created by them should be misleading.

Mr. RICHARD A. WITTY, F.S.A.A., said he wished, in the first place, to congratulate Mr. Furnival Jones on a purely negative success by reason of the fact that although he was dealing with the subject of the accountancy profession, he had refrained from making any suggestion

that they ought to add something to the examination syllabus. As the Lecturer remarked, many members of the profession had dealt with similar subjects during the last twenty years, and it was unfortunate that in the majority of cases they had been led to suggest that something ought to be added to the examination syllabus, entirely forgetful of the fact, of which Mr. Furnival Jones was particularly aware, that one could not add anything to the syllabus without detracting from the time and attention which the student was called upon to give to the fundamental subject of books and accounts. That was why he (Mr. Witty) was glad Mr. Furnival Jones did not hesitate to get right back to the fundamentals of their profession and had made it quite clear that the whole superstructure of present-day accountancy practice must be built on that foundation of books and accounts, for without that foundation the superstructure was going to be of a very flimsy character. Although the Lecturer did not actually use the term, it seemed to him that he was presenting this fundamental problem of books and accounts very deliberately from the accountant's point of view as distinct from the book-keeper's point of view. He often thought the distinction was this: that to the book-keeper books and accounts were of necessity an end in themselves, but to the accountant books and accounts were but a part of the commercial activities of the unit to which they related. They failed in their object unless they were read and interpreted in the light of the whole activity of that business unit. It happened that only as recently as that afternoon he was representing their Society in the formation of a British Management Council. That was a body charged with the national duty of seeing that this country was properly represented on any conferences on scientific management and was keeping in touch with the international position relating to scientific management. It occurred to him, when listening to Mr. Furnival Jones, that that movement was in some degree parallel to the position in their profession. Thirty or forty years ago they discussed a business in terms of efficiency; that was the word they used then, but one realised that efficiency then was very largely a matter of personal temperament and more or less of rule of thumb. The same idea to-day, expressed as scientific management, meant the modern conception of business, based, not on personal temperament, but on accurate scientific data. They had to take the same attitude towards their own profession that the management movement was trying to educate the business man to take towards his particular problems. He would like to discuss with Mr. Jones some of the points raised on depreciation, but time did not permit of saying very much. He would, however, join issue with him on the question of Stock Exchange values. The Lecturer had been careful not to commit himself, but he did suggest that Stock Exchange values might, in some small degree, give the information which economists were asking them, as accountants, to give. He (the speaker) was afraid he was very sceptical. He had never forgotten the remarks of a cynic who said that Stock Exchange values had no relation to true worth because they so often depended on the number of fools who happened to apply for a particular share on a particular day. He was afraid there was a certain amount of truth in that. If one examined Stock Exchange prices one found them differing from day to day, and such values would be a very unreliable measurement to try and use in place of the old-fashioned yardstick they were using at the present time. Generally speaking, on depreciation, he thought Mr. Furnival Jones would concur that when they tried to agree upon some definite basis for depreciation they were really trying the old game of endeavouring to define the indefinite. Some people said that was a useless task, but he did not think it was, because it helped them to keep their ideas up to date and it helped them in the very essential work of applying the general to the particular, which was what they had to do in their daily work. In considering one particular balance sheet, they had to apply the rules of depreciation to the particular circumstances of that case. With regard to the suggestion that the balance sheet was a photograph he thought

that was a most unfortunate simile. One could photograph the animate or the inanimate, but one could not photograph the abstract, and, after all, a valuation was largely an abstract proposition. The sooner they got rid of the idea that a balance sheet was a photograph, the better. All present would agree that Mr. Furnival Jones had certainly served a very useful purpose that night, inasmuch as he had undoubtedly kept them away from that enemy to which he referred—the danger of complacent stagnation.

Mr. FURNIVAL JONES, replying to the discussion, said terminology was a very important point and it was a matter which deserved attention. They did not know exactly what they meant by a great many words. A simple word like "profit" was one they might start on. Let the Society of Incorporated Accountants set to work and say what they meant by "profit"; for, having done that, probably the other questions would not arise. He had not mentioned one problem which was probably still an accountancy problem and even existed when they came to meetings of that kind—it was the problem of keeping awake during the more elementary stages of their work. Mechanical accountancy might, of course, help to solve that problem. He did not know whether he had told the story there before, but one of the pretty little touches one found in Dickens was in "Bleak House," when Mr. Jarndyce went to see the extravagant and impecunious but very delightful Mr. Skimpole. He noticed there was a dish of nectarines on the table and, being surprised to see this evidence of affluence, he said, "Where did these come from?" Mr. Skimpole replied, "An obliging fruiterer supplied them. When his messenger asked if he should wait for the money, I said, 'Not if your time is valuable.'" (Laughter.) As the time of his hearers was valuable, he would not ask them to wait any longer.

Mr. ARTHUR COLLINS, F.S.A.A., said it was his duty to propose a vote of thanks to the Lecturer. And what a delightful lecture! No one, even the most experienced and thorough attender at those or any other lectures, could have failed to appreciate that this was an address out of the ordinary. It was a very desirable thing, he considered, especially in a profession like theirs, that from time to time they should be uprooted from the daily round and common task, and be assisted—indeed, most pleasantly invited—to ascend to a loftier pinnacle, there to see the accountancy profession from a better point of vantage. There had been a good deal said about photographs. In Mr. Furnival Jones's address they had not just had a photograph; indeed, his address had exemplified the progress of time, and what they had heard and seen in his address had been not so much a photograph as a news reel. They had had the whole development of the theory and practice of accountancy laid out before their eyes, and, what was more in these commercial days, they had had it for nothing. They had benefited by the observations of a man who was not only an accountant but a man of the world. From time to time they could see creeping in reflections uncommon in an accountant, and, indeed, more appropriately expressed, perhaps, by one who would pose as a philosopher. Mr. Furnival Jones did not pose as a philosopher, but, in his (the speaker's) judgment, he was one. He was a little more than an accountant merely. If he (Mr. Collins) might illustrate that point, he would tell them that when in Birmingham years ago he had attended a joint debate between the local Society of Incorporated Accountants and the Chamber of Commerce, and the Chairman, in perfect innocence, at the outset of the debate said: "Now the first speaker will be an accountant, and he will be followed by a business man." (Laughter.) He would ask them all to unite with him in conveying to Mr. Furnival Jones their great appreciation of his address, and in expressing to him their thanks for the delightful evening he had given them.

The vote of thanks was carried by acclamation, and Mr. Furnival Jones briefly replied.

The proceedings terminated with a vote of thanks to the Chairman.

Changes and Removals.

Mr. Edward Beal has taken into partnership Mr. Frank B. Young. The practice will be continued at 27, Portland Terrace, Southampton, and also at Eastleigh, under the style of Beal & Young, Incorporated Accountants.

Messrs. Bobart, Baskett & Co., Incorporated Accountants, Salisbury Chambers, 65-66, Basinghall Street, London, E.C.2, announce that Mr. H. H. Bobart has retired from the firm as from January 1st, 1937. The remaining partners will continue the practice under the same firm name.

Messrs. S. B. Billimoria & Co. announce that their Calcutta office has been closed and that Mr. M. D. Darbari, Incorporated Accountant, has by mutual consent ceased to represent them. Mr. Darbari is now practising on his own account under the style of M. D. Darbari & Co., at 100, Clive Street, Calcutta.

Messrs. Dunn, Hornby & Cowie, Nairobi, Kenya, announce that Mr. Hornby is retiring from the firm and is taking up residence in England. The practice will be continued by the remaining partners under the same style as before.

Mr. M. P. Ferneyhough, Incorporated Accountant, announces that as from January 1st, 1937, he has taken into partnership Mr. E. S. Stoddard A.S.A.A. (Honours). The firm will practise as M. P. Ferneyhough and Co., at 6, Commerce Street, Longton, Stoke-on-Trent, and at Hednesford.

Mr. Henry L. George, A.C.A., Incorporated Accountant, announces a change of address to 19, Queen's Road, Brighton.

Messrs. Hodge & Baxter, Incorporated Accountants, National Provincial Chambers, High Street, Kettering, have taken into partnership Mr. Leslie Smith, A.S.A.A., who has been a member of the staff for some time. The name of the firm will remain unchanged.

Mr. L. D. Malpas, Incorporated Accountant, Bournemouth, announces that he has opened an office at 32, Chipper Lane, Salisbury, in partnership with Mr. Michael P. Simmons. The practice will be carried on under the style of Malpas, Simmons & Co.

Mr. R. C. Mundy, Incorporated Accountant, is now practising on his own account at 15, East Parade, Leeds.

Messrs. Pridie, Brewster & Gold announce a change of address to 8, London Wall Avenue, 32, London Wall, London, E.C.2.

Messrs. H. Rainsbury & Co., Incorporated Accountants, have removed their offices to Chiswell House, 133-139, Finsbury Pavement, London, E.C.2.

Mr. J. Edwin Talbot, F.S.A.A., of 5-11, Theobalds Road, London, W.C.1, has taken Mr. Hugh J. Cuff, B.A. A.C.A., into partnership. The practice will continue, as before, under the name of Talbot, Ellis, Jack & Co.

Messrs. Woolley & Waldron, Incorporated Accountants, Blue Peter House, 8 and 10, Portland Terrace, Southampton, announce that Mr. Frederick Lea Woolley (son of their senior partner) has joined the firm as a partner. The style of the firm will remain as at present.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotions in and additions to the membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

BEDDY, THOMAS ROBERT (Cooper & Kenny), 34, Dame Street, Dublin, Practising Accountant.

CADE, ERIC CYRIL (Leith, Freak & Cade), Main House, 96, Main Street, Johannesburg, Practising Accountant

GOLDBY, ARTHUR JACK TERENCE (Goldby, Panchaud and Webber), 90, Fox Street, Johannesburg, Practising Accountant.

MACINTOSH, JOHN CHEYNE (Goldby, Panchaud & Webber), 90, Fox Street, Johannesburg, Practising Accountant.

THOMSON, SAMUEL (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg, Practising Accountant.

WATSON, OSCAR ALFRED (Watson & Tebbit), 10, Peacock Lane, Leicester. Practising Accountant.

YOUNG, JOHN ALEXANDER (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg, Practising Accountant.

ASSOCIATES.

BAINES, WILLIAM FRANCIS, with Slipper & Co., Bridge-way House, Bridge Road, Hammersmith, London, W.6.

CHARLES, ERNEST FRED, District Audit Staff, Ministry of Health, 312, Kettering Road, Northampton.

COSSEY, LEWIS WILFORD PELOQUIN, with Stephenson, Smart & Co., Queen Street Chambers, Peterborough.

DE FINE, FRANCIS JOAKIM OHLSON, with Maldwyn Edmund & Co., Stability Buildings, 106, Fox Street, Johannesburg.

DUNN, DAVID HORACE, with W. W. Beer, Aplin & Co., 17, Bedford Circus, Exeter.

GILMORE, JOSEPH FREDERICK, with Morison, Rutherford and Co., 20, Eastcheap, London, E.C.3.

HITGE, CLARENCE, B.A., with M. Dreyer & Co., 1, 3 and 7, Lawley's Buildings, Fox Street, Johannesburg.

FAIRWEATHER, ALAN ALEXANDER JOHNSON, with Hemp-hill, Anderson & Co., P.O. Box 2755, Johannesburg.

KIRBY, PHILIP JOHN ROYDEN, with Dougall, Lance and Hewitt, Provident Building, 257, Pretorius Street, Pretoria.

MCKINNON, FINLAY PATRICK, formerly with George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban.

MORGAN, DAVID KITCHENER GWYN, with J. Fooks & Sons, 3, Park Place, Cardiff.

MURKETT, GEOFFREY, formerly with Simkin & Arnold, The Hollins, 16, New Street, Leicester.

NORTH, PATRICK, with Samuel Thomson & Young, Trust Buildings, Fox Street, Johannesburg.

PREScott, EDWIN WILLIAM GODFREY, with Price, Waterhouse, Peat & Co., 10-14, Standard Bank Chambers, Commissioner Street, Johannesburg.

ROSS-SPENCER, CHARLES JOHN, B.Com., with Alex. Aiken and Carter, National Bank Buildings, Simmonds Street, Johannesburg.

RADFORD, REGINALD JOSEPH, with Slater & Dominy, Sussex House, Hobson Street, Cambridge.

STILL, WILLIAM GEORGE FREDERICK, with Price, Waterhouse, Peat & Co., Provident Building, 257, Pretorius Street, Pretoria.

WALKER, JAMES SAMPSON (Palmer & Kent), Transvaal Goldfields Building, Fraser Street, Johannesburg, Practising Accountant.

WARREN, RONALD JEFFREY, with Benbow & Airs, Derngate House, 45, Derngate, Northampton.

WARD, ARTHUR DOUGLAS, with Allen & Baldry & Hollmans, 36, New Broad Street, London, E.C.2.

WILLIAMS, LIONEL WALTER, with Price, Waterhouse, Peat & Co., 10-14, Standard Bank Chambers, Johannesburg.

Reviews.

The Incorporated Students' Telephone. *By the Directors and Tutors of H. Fouk's Lynch & Co.* London: H. F. L. (Publishers), Ltd., 19, Fenchurch Street, E.C.3. (78 pp. Price 2s. 6d. Post Free 2s. 8d.)

This publication, which has now reached its fifty-fourth issue, contains the questions set at the Intermediate and Final examinations of the Society of Incorporated Accountants and Auditors held in November last, together with model answers. A subject index at the beginning affords ready reference to any particular matter, and prospective examination candidates will find a study of the model answers of great assistance. Those who passed the examinations will also be interested in comparing their own answers with those prepared by experts, and those who failed will be able to discover where they came to grief.

Company Accounting. *By H. A. R. J. Wilson, F.C.A., F.S.A.A.* London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (418 pp. Price 12s. 6d. net.)

The principles of Company Accounting are clearly set forth in this book, the text of which is illustrated by numerous examples, most of which are taken from papers set in recent years by the Society of Incorporated Accountants and Auditors or the Institute of Chartered Accountants. Amongst the subjects dealt with are the acquisition of a business, alteration of share capital, redeemable preference shares, reconstructions, amalgamations and holding companies. Liquidations are also discussed in a final chapter. The book contains much valuable information well classified and the worked-out examples are especially useful. In the chapter on holding companies will be found a specimen of a Consolidated Balance Sheet.

Accountants' Certificates. *By James H. Wren, Certified Public Accountant.* New York: The Ronald Press Company. (182 pp.)

Accountancy in America has during the last few years undergone very definite development, especially in regard to forms of certificates and reports. The author says that a few years ago with industry at ebb tide and the investing public bewildered and displeased, the accounting profession found itself wedged in between with methods of reporting out of date and in no wise equal to the task of rendering impartial service. As the result of correspondence between committees appointed by the American Institute of Accountants, the Controllers' Institute of America and the New York Stock Exchange a new form of certificate has come into use, improved both in content and phrasing. Mr. Wren has collected a large number of certificates and reports given during 1936 by prominent firms of accountants practising in America, dealing with different subjects and under varying conditions. These cannot fail to be of great value as they place before the

reader clear ideas of what a certificate should contain and the different ways of expressing views and reporting facts in circumstances which may or may not be similar in character.

The Private Company. *By R. W. L. Clench, F.S.A.A., F.C.I.S.* London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (168 pp. Price 6s. net.)

This book is designed for the guidance of secretaries of private companies and is not intended to be an exhaustive treatise on the Companies Act. The author does not assume on the part of the secretary any very extensive knowledge of his duties and hence the book deals with elementary matters as well as those of a more advanced character. Commencing with the duties arising on the formation of a company a brief sketch is given of the procedure, including specimen agenda and minutes of the first Board Meeting. Instructions follow with regard to the conduct of general meetings, the passing of extraordinary and special resolutions, voting by proxy and the taking of a poll. Information is also given as to dealing with transfers, alterations of capital, inspection of documents kept by the registrar and the records relating to the registration of debentures and other charges. A final chapter deals with the annual accounts, and the appendix contains a secretary's time-table giving the times within which various documents have to be filed and notices issued, also specimen forms in relation to allotment and transfer work, dividend lists and dividend warrants, &c.

Pitman's Year Book and Diary for 1937. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (240 pp. Price 1s. 6d. net.)

This diary gives particulars of the examinations held by the principal accountancy and secretarial bodies (including the Society of Incorporated Accountants and Auditors) and banking and insurance organisations, also of the examinations held by the Universities and various commercial education institutions. In each case the examination subjects are specified and the conditions for entrance set forth. The diary likewise contains useful information in relation to education generally and the facilities available regarding University courses and business careers.

FORTHCOMING EVENTS.

1937.

Feb. 1st. *West of England District Society.* At Bristol at 6 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Income Tax as affecting Partnerships."

Feb. 2nd. *Cumberland and Westmorland District Society.* At Carlisle. Lecture by Mr. A. E. Pugh, F.S.A.A., on "Some Aspects of the Gold Standard and the London Money Market."

Feb. 15 p.m. *Liverpool District Society.* At Liverpool on "Public Speaking."

Feb. 3rd. *Newcastle-upon-Tyne District Society.* At Newcastle at 6.30 p.m. Lecture by Mr. A. E. Pugh, F.S.A.A., on "Review of Present Day Economic Problems, including a review of Present Conditions in this Country."

South Wales and Monmouthshire District Society. At Cardiff. Joint Debate between Cardiff and Newport Students.

West of England District Society. At Gloucester at 5.45 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Income Tax as affecting Partnerships."

Feb. 4th. *Belfast District Society.* At Belfast at 1 p.m. Luncheon. At Belfast at 7.30 p.m. Lecture by Mr. Charles M. Dolby, F.S.A.A., on "Investigations."

Manchester District Society. At Manchester. Students' Debate with Burnley Students' Section.

Newcastle-upon-Tyne District Society. At Sunderland at 7 p.m. Lecture by Mr. A. E. Pugh, F.S.A.A., on "Review of Present Day Economic Problems, including a review of Present Conditions in this Country."

Feb. 5th. *Birmingham District Society.* At Birmingham at 6.30 p.m. Lecture by Mr. Arthur Collins, F.S.A.A., on "Accountancy as a Qualification for a Business Man."

Dublin Students' Society. At Dublin at 5.45 p.m. Lecture by Mr. Charles M. Dolby, F.S.A.A., on "The Internal Organisation of an Accountant's Office."

Newcastle-upon-Tyne District Society. At Middlesbrough at 7 p.m. Lecture by Mr. A. E. Pugh, F.S.A.A., on "Review of Present Day Economic Problems, including Conditions in this Country."

Nottingham, Derby and Lincoln District Society. At Nottingham at 6.30 p.m. Lecture by Mr. W. W. Bigg, F.C.A., F.S.A.A., on "Partnership Accounts."

Feb. 8th. *Leicester District Society.* At Northampton at 6 p.m. Lecture by Mr. I. Davies, A.S.A.A., on "Fraud in Accounts."

Feb. 9th. *Newcastle-upon-Tyne District Society.* At Newcastle at 6.30 p.m. Qualified Members' Meeting.

North Staffordshire District Society. At Hanley at 6.30 p.m. Lecture by Mr. I. Davies, A.S.A.A., on "Fraud in Accounts."

Yorkshire District Society. At Leeds at 6.30 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Recent Developments in Income Tax."

Feb. 10th. *Leicester District Society.* At Leicester at 6 p.m. Lecture by Mr. I. Davies, A.S.A.A., on "Fraud in Accounts."

Sheffield District Society. At Sheffield at 6.30 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Income Tax."

Feb. 11th. *Liverpool District Society.* At Liverpool. Luncheon.

North Lancashire District Society. At Preston at 7.30 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Executorship Accounts."

Nottingham, Derby and Lincoln District Society. At Nottingham at 6.30 p.m. Lecture by Mr. I. Davies, A.S.A.A., on "The Valuation of Goodwill."

Feb. 12th. *Birmingham District Society.* At Birmingham at 6.30 p.m. Lecture by Mr. I. Davies, A.S.A.A., on "Fraud in Accounts."

Cumberland and Westmorland District Society. At Carlisle. Lecture by Mr. A. V. Hussey, A.S.A.A., on "Practical Aspects of the Duties of Trustees, Liquidators and Receivers."

Hull District Society. At Hull at 7.15 p.m. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "Executorship Accounts."

Feb. 15th. *South Wales and Monmouthshire District Society.* At Cardiff. Papers by Mr. W. G. Evans and Mr. R. J. Alban on "Recent Developments relating to the Control of Fixed Trusts" and "The Auditor and Verification of Liabilities," respectively.

Feb. 16th. *Devon and Cornwall District Society.* At Exeter at 6.30 p.m. Lecture by an Inspector of Taxes on "Reliefs in connection with Changes in Ownership of Business and of New Businesses."

Newcastle-upon-Tyne District Society. At Middlesbrough at 7 p.m. Lecture by Mr. W. P. Sawyer, Inspector of Taxes, on "Main Points Arising under Schedule D."

Yorkshire District Society. At Huddersfield at 6.30 p.m. Lecture by Mr. W. H. Grainger, F.S.A.A., on "Auditing Investigations."

Feb. 17th. *Sheffield District Society.* At Sheffield at 6.30 p.m. Lecture by Sir Norman Angell on "International Conditions and Relations."

South of England District Society (Bournemouth Section). At Bournemouth at 7.15 p.m. Lecture by Mr. H. Goitein, LL.D., on "Company Law."

Swansea and South-West Wales District Society. At Swansea at 6.30 p.m. Lecture by Mr. Percy H. Walker, F.S.A.A., on "Profit Issue and Co-Partnership."

Feb. 18th. *South of England District Society.* At Southampton at 7.15 p.m. Lecture by Mr. H. Goitein, LL.D., on "Company Law."

Feb. 19th. *East Anglian District Society.* At Norwich at 7.30 p.m. Lecture by Mr. Bertram Nelson, F.S.A.A., on "Fraud in Accounts."

Devon and Cornwall District Society. At Plymouth at 6.30 p.m. Students' Evening.

Manchester District Society. At Manchester at 6.15 p.m. Lecture by Mr. D. H. Hodge on "The Banks and the Financing of Industry."

South Wales and Monmouthshire District Society. At Newport. Papers by Mr. G. A. Hulbert and Mr. A. L. Varmen on "Sale of Goods" and "The Legal Position of Infants," respectively.

Feb. 22nd. *Newcastle-upon-Tyne District Society.* At Newcastle at 6.30 p.m. Lecture by Mr. G. Lambert, A.S.A.A., on "Executorship Accounts."

Feb. 23rd. *Leicester District Society.* At Leicester at 6 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Estate Duty, Legacy and Succession Duty Problems for Examination Candidates."

London Students' Society. At Incorporated Accountants' Hall at 6.15 p.m. Lecture by Mr. S. M. Caldwell, A.C.A., on "Methods of Fraud."

Yorkshire District Society. At Leeds at 6.30 p.m. Lecture by Mr. David Morgan, A.S.A.A., on "Practical Points in Insolvency Procedure."

Feb. 24th. *Dublin Students' Society.* At Dublin. Joint Meeting with Chartered Students' Society.

Feb. 26th. *Birmingham District Society.* Visit to Bourneville Works with Members from Leicester.

Liverpool District Society. At Liverpool at 6.15 p.m. Lecture by Major R. N. Barnett, A.S.A.A., on "Mechanisation—Machines and Methods."

Manchester District Society. At Manchester at 6.15 p.m. Lecture by Mr. R. F. Cartwright, LL.B., on "Rights and Duties of Liquidators."

North Staffordshire District Society. At Hanley at 6.30 p.m. Lecture by Mr. Percy H. Walker, F.S.A.A., on "Debentures and Powers and Duties of Receivers."

General Knowledge : The Questions on Company Practice.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

MR. W. J. BACK,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. WILLIAM STRACHAN, Incorporated Accountant.

Mr. BACK said : Some of you will remember that in the spring I had the opportunity of addressing you about matters that arise in connection with the formation and the capitalisation of companies—points raised in questions relating to general commercial knowledge in so far as they dealt with company practice. I want this evening to continue that consideration and to discuss with you a number of other company matters.

1. STATUTORY MEETINGS.

First of all, public companies, as you know, must hold a statutory meeting and present to it a statutory report. That meeting must be held within not less than one month and not more than three months from the date at which the company is entitled to commence business. The statutory report must be forwarded to the members of the company seven days before the meeting, it must be certified by the directors, and, in certain parts, by the auditors. The purpose of that meeting is, of course, to enable the shareholders to obtain information with regard to the capitalisation and formation of the company.

The notice calling the statutory meeting does not comply with the requirements of the Act if it merely calls the meeting as a meeting of members of the company ; it must describe it as the "statutory meeting." The authority for that is *Gardner v. Iredale*.

Among the things that the statutory report has to deal with are particulars of the shares that have been issued, the payments received for the shares, the names and addresses of the directors, auditors and secretary, and an estimate of the preliminary expenses. I must call your attention to one curious anomaly that may possibly have troubled you. The Act states that the report shall contain an abstract of the receipts and of the payments made thereout and must show the balance remaining on hand. But the auditors are required to certify the statement of shares allotted and of the cash received in respect thereof, and that the receipts and payments on "capital account" are correct. In the 1908 Act the abstract was required to be of the receipts and payments on capital account, but the 1929 Act altered this by leaving out the expression "capital account" and requiring it to be a full abstract of cash received and paid ; it did not, however, revise the clause relating to what the auditors were to certify, so that it leaves the position somewhat in the air. The auditors are only required to certify that that part of the statement which relates to capital is correct. You will find, as a matter of fact, that some auditors are adopting the practice of certifying the whole thing ; others are using precisely the words of the Act. In either case they have to check the whole of the cash receipts and payments up to date.

In the published abstract it is not usual to make any distinction as between capital and revenue ; the practice is to prepare the statement of receipts and payments under convenient headings and generally to make it a complete summary. The auditors' report is usually in these terms :

"We hereby certify that so much of this report as relates to the shares allotted by the company and to the cash received in respect of such shares and to the receipts and payments of the company on capital account, is correct."

2. BORROWING POWERS.

The next matter I want to say something about is the borrowing powers of the company and the exercise of those powers. A trading company has power to borrow ; a non-trading company has not necessarily those powers ; the powers of a non-trading company are often limited by the terms of the Memorandum or the Articles of Association, and it is of the greatest importance to give consideration to this point as well as to the statutory and case law position. Supposing the company exercises borrowing powers which are *ultra vires* the company ; for example, if it has no power to borrow but it does borrow, or, alternatively, if its borrowing powers are expressly limited and it has exercised them to the full and then proceeds to further borrowing, any such loan would not be an effective loan ; if security should have been given for the loan that security could be reclaimed. There are, however, certain rights the lender may exercise : first, the directors may be liable on an implied guarantee of authority ; secondly, if the money is not completely spent at the time at which he finds the powers of the company have been exceeded, or if he can trace the money that he has lent, he can follow it. If it has not been spent he can apply to the Court for an injunction restraining the company from parting with it ; thirdly, if it has been used to pay off creditors of the company he may claim to stand in the shoes of those creditors. Although he may not be entitled to sue the company, he may therefore have other rights that may enable him to claim his money under another head. If the borrowing is simply *ultra vires* the directors, then of course it is possible for the members to ratify that borrowing and put it in order.

Debentures are merely documents which acknowledge a debt. A debenture holder is a creditor of the company, and debentures may be either naked debentures—acknowledging the debt and giving no charge of any kind—or they may be in the nature of a charge to each debenture holder separately giving him a separate action against the company, or they may be a charge in the form of a trust deed giving each debenture holder a beneficial interest in the trust deed itself.

There is a double registration of debentures issued by a company. It is first of all necessary that they should be registered with the Registrar of Companies on the register to be found at Bush House. Secondly, they must also be registered in the company's own register. Debentures are personal estate, marketable securities, transferred in the same manner as shares are transferred, subject to any special provisions in the deed itself. The stamp duties are not the same as on an ordinary transfer, but you will find particulars in the reference books.

Now as to the payment off of debentures. The certificate is surrendered and a receipt by the last holder is endorsed on the back of that certificate. That receipt does not require a stamp, because the debenture deed itself has been stamped.

It is possible for the company to pay off debentures, to hold them in abeyance, and to re-issue them at a later date (unless it has indicated an intention to cancel them) ; in that case, when the debentures are re-issued, they revert at once to the priorities of their original issue. It is presumably because of the possibility of re-issuing debentures with the old priorities that the Act requires that particulars of such redeemed debentures shall be

included in every balance sheet of the company (sect. 75 (8)).

A company, in paying off its debentures, may acquire them in the open market through brokers. Supposing the company goes into the open market and buys its debentures—i.e., if they are quoted on the Stock Exchange—again no stamp duty is required and no transfer deed is required; the last registered holder in that case endorses his receipt on the back of the debenture deed and hands it over to the company.

If there is a trust deed, it may provide for annual drawings of a stated amount to be used in paying off the debentures. The only point of importance there is that if debentures are of several denominations, and if the provision is, let us say, that 5 per cent. shall be paid off in each year, the proper practice is to take 5 per cent. of each of those different denominations and let the draw fall where it will. For example:—

DEBENTURES IN ISSUE.	DRAWN 5 PER CENT.
1,000 of £1 each ..	£1,000
10,000 „ £5 „ ..	50,000
100 „ £50 „ ..	5,000
11,100	£56,000
50 ..	£500
5 ..	250
555	£2,800

The numbers of the debentures are written on tickets or cards and placed in a box and the drawing then takes place.

A receiver may always be appointed by the Court, but a receiver may also be appointed under the provisions in the deed by a debenture-holder. The deed may give the debenture-holder express power to do so and where that is the case the provisions of the deed must be carried out—the appointment of a receiver must be strictly in accordance with those terms.

In the ordinary way the appointment of a receiver may be a very simple matter. A letter is drawn up and signed by the debenture-holder possibly in these terms:—“I hereby appoint so and so receiver and manager of the . . . Company, Limited, under the terms contained in the debenture deed dated . . . to secure the sum of . . . pounds.”

The “normal” procedure, if a debenture issue does not provide otherwise, is that the receiver is the agent of the persons appointing him, i.e., of the debenture-holders. That, of course, is undesirable, so that the deed almost invariably provides that he shall be the agent of the company and shall act on behalf of the company. It may perhaps be worth remarking that even where the deed gives power to appoint a debenture-holder's receiver, and even where a receiver has been appointed, the Court may still enter in and appoint another receiver over his head—as, for example, for the protection of a minority, if it should be supposed that the minority need protecting. Then within seven days of his appointment the appointment must be notified to the Registrar at Bush House; the notification is by the debenture-holder himself, who signs another copy of the letter of appointment and the same is put on the file and registered.

Section 310 requires that the receiver shall within one month of the expiration of six months from his appointment file with the Registrar an abstract of his receipts and payments, and every subsequent six months he must do so until the cessation, when he files a complete and final account. There is a prescribed form for that. There is no provision in the Act for any accounts to be supplied to unsecured creditors. The debenture-holder comes in

and takes possession of everything; there is no provision that the unsecured creditors or even the company itself shall have any account of his receipts and expenditure. Of course it is usual for the receiver, if he is asked for information by the company or by a creditor, to give such information.

Whatever the form of appointment the receiver must not buy the subject matter of the security himself without the express permission of the Court; and also he must always remember to apply the funds that come to his hand strictly in accordance with the rights of the parties (sect. 78). If it should happen that he pays over the whole of the money he realises to the debenture-holders and overlooks the claims of the preferred creditors he will be personally liable to those parties.

3.—PROFITS AND THEIR DISTRIBUTION.

The next thing I want to say something about is profits and their distribution. Profits may be distributed either by way of dividends or by way of what are called “bonus shares.” (That is not strictly correct; there are no bonus shares—I will return to that in a moment.) Or they may be retained by the company and transferred to reserve. There is no statutory obligation on the company to pay any dividends at all. Section 48 of the Act says that “A company if so authorised by its Articles may pay dividends.” Table A (89) says: “A company in general meeting may declare dividends, but no dividends must exceed the amount recommended by the directors.” This is permissive only; there is no statutory requirement that dividends must be paid at all; of course that does not mean that a company would not pay them if it had the money. The distribution, when it is made, is of “profits that are available for distribution.” Again, there is no statutory definition or Case Law definition of profits. The principle is that a company may not distribute a dividend out of capital; that principle is laid down in the case of *Guinness v. Land Corporation of Ireland*: “The capital of the company as mentioned in the Memorandum is to be the fund which is to pay the creditors in the event of the company being wound up. From that it follows that whatever has been properly paid up by a member cannot be returned to him. In my opinion it follows that what is described in the Memorandum as capital cannot be diverted from the objects of the society. It is, of course, liable to be spent or lost in carrying on the business, but no part of it can be returned to a member so as to take away from the fund to which the creditors have a right to look as the fund out of which they are to be paid.”

The principle is, therefore, that no dividend or any other distribution to the members must be made out of the capital of the company.

That raises at once the question: What is capital? The answer is very simple when the capital has just been received and is still in money. A shareholder has paid up the amount that he is liable to pay on his shares in cash; that cash is in the bank account of the company and constitutes its capital. But it is not nearly so simple after some years of trading, and after a change in the nature of the assets.

In the *Spanish Prospecting Company* case, the Judge said: “Capital consists of (a) the cash paid up by the company; (b) the assets which from time to time represent that capital.” The cash paid up by the members—that is simple and straightforward; but it does not long remain in that state. It is very soon invested in bricks and mortar, stock, raw materials or book debts, and so ceases to be in that form. “Then,” says the Judge, “it is either the cash which has been paid up by the members

or it is those assets which from time to time represent that capital."

The assets representing the capital are, according to another case (following the distinction drawn by the economists), either fixed assets, or circulating or fluid assets. Lord Justice Lindley says: "Fixed capital may be sunk or lost, but the company may distribute the excess of receipts over payments; but fluid capital must be kept up . . . the Articles may require also that fixed capital must be kept up." Fixed capital may be lost or it may depreciate, or if there is a surplus on the revenue account, the company is legally entitled to distribute that surplus without making good its loss on fixed capital. On the other hand, it must keep up its fluid capital.

For example, supposing a fire takes place and destroys the machinery to such an extent that after the insurance companies have done their worst to reduce your claim, you have an uncovered loss of, let us say, £10,000. Your profit and loss account, nevertheless, shows that on the trading for the period you have made a profit. Is that profit available for distribution, or ought you to provide the £10,000 which you have lost in your fixed assets by reason of the fact that you were inadequately insured? The answer is, you are free legally to distribute the profit you show on the profit and loss account without providing for the loss of that £10,000 on the machinery.

In the *Verner* case, the company was formed to make and to hold investments. Its fixed capital consisted of investments. Its business was to manage those investments, collect the dividends and distribute dividends to shareholders out of that revenue. At the particular time the market value of the shares had so far fallen that the company's investments at current market quotations were £250,000 below their original cost price; nevertheless the earnings of the business, consisting of dividends, &c., less expenditure, showed a surplus of £23,000, and the decision in that case was that that £23,000 could be distributed without the replacement of the loss in value of the fixed assets—which in that case were investments.

I repeat that that position is always subject to the Memorandum and Articles of the particular company; they may limit the fund available for distribution in any way that the draftsmen think fit.

The other way in which profits may be distributed besides distribution by dividends is that which is commonly known as the "issue of bonus shares." Profits may be capitalised. But, strictly speaking, there are no bonus shares; it is the short circuiting of a complicated operation. It is necessary that shares should be paid for in full either in money or in money's worth. What really happens is that the company has available profits which it could distribute in dividends but which it desires to retain for development purposes and not distribute. It does, however, desire to give the shareholders some advantage from those funds, something tangible that they can look at or sell on the Stock Exchange, and so it decides to capitalise profits and issue shares. It therefore issues shares to the members *pro rata* to their holdings and then it declares a dividend out of profits or reserves, and uses the amount payable to the shareholder as the purchase consideration for the shares which had been issued to him.

First of all, there must be provision in the Articles that a dividend or a bonus may be satisfied by an issue of shares on which an appropriate amount is paid up; otherwise the shareholders may claim that their dividends should be paid to them in cash. Secondly, either the shareholders must be given an unconditional right to receive the dividend in cash in order that the shares may be paid up in cash—if you give them that right some may

choose to take the cash rather than their shares—or there must be a contract filed with the Registrar of Companies that the shares may be issued for a consideration other than cash. In small private companies it is not unusual to provide an agreement reciting that it has been decided to distribute a stated portion of the company's undivided profits among members according to their holdings. The agreement which is executed by the company and by each shareholder, then states that the shareholders shall accept the shares in satisfaction of their claim to the bonus.

4. RECONSTRUCTIONS AND LIQUIDATIONS.

Now the other notes I have relate to reconstruction and reorganisation and liquidation. I am saying nothing about liquidations of insolvent companies by creditors or the Court, because at your next meeting, Mr. Mahony is going to talk about insolvency in general, and he will doubtless be dealing with all the forms in which such liquidation can take place.

Reconstruction or re-organisation usually takes place because of certain unfortunate experiences of the company, or possibly because of the process of amalgamation of companies. The usual distinction of the terms, I think, is this: reorganisation is used if the same company form is retained, but there is an alteration in the rights of the different classes of shareholders; that is to say, a writing off of the losses that have been made in varying amounts over the different classes of shareholders. If the proposals involve the formation of a new company so that there is a change in the ownership of the assets, then you call it a re-construction. That involves very often a voluntary liquidation of the original company.

The objects of these operations are usually, first of all, the writing off of losses and the writing down of the capital so as to adjust the capital to the present earning capacity of the fixed assets—in order, of course, that the company may resume dividends or may have a chance of raising new capital in the market. Possibly there may be a return of capital no longer needed in the business, but the more usual purpose of it is a compromise with creditors or, it may be, with debenture-holders, or an amalgamation with some other company. If it is a reorganisation by which you are writing down the capital and writing off losses, the first necessity is to be sure that a position has been reached by the company in which there are likely to be profits available for distribution. Until the company has returned to an earning position there can be no real basis on which to re-value the company. You have first of all to go into that point and to decide that there is a basis on which the company can be reconstructed—a real going-concern value.

The process is simple. First of all you review the current assets of the company—its stocks, book debts, &c.—to make sure that they are not standing at an inflated value. You must make sure that old stocks are not carried at too high a value. Secondly, the fixed assets will be re-valued; a valuation will be obtained of those assets; from the total arrived at will be deducted the claims of creditors of all kinds, and the balance will represent the present value of the shareholders' capital in the business. If that figure is not a proper capitalisation of the anticipated future profits of the concern, it will be necessary to go still further in the way of adjusting and writing down the capital. If there are several classes of shares the allocation of the losses between them will be a complicated business, and it has caused very considerable argument in the Courts in certain comparatively recent cases.

When you have settled that part of it, and you come to the liquidation of the company which it has been decided to wind up, the liquidation of a solvent company

is a very simple matter. First of all, in order to prevent the winding up of any company outside the provisions of the Act by way of a transfer of its assets by deeds of assignment, &c.—by way of preventing that, the Act provides (sect. 265) that “any conveyance or assignment by a company of its property to its creditors shall be void to all intents.” But of course a company may be reduced to a mere shell or formality by the transfer of its assets, and still kept alive in order to preserve a name.

Liquidations may, of course, either be compulsory or voluntary or under the supervision of the Court. Voluntary liquidations may be members' liquidations in the case of solvent companies, or creditors' liquidations in the case of insolvent companies. Prior to 1929 there was but one form of voluntary liquidation. The company appointed a liquidator, and through him retained control of the liquidation throughout, unless a compulsory Order or a supervision Order was made. But the creditors got no control whatever without going to the Court, and usually if they did that, more money was lost than they gained.

The 1929 Act divided voluntary liquidations into two classes and set out to give control of those liquidations into the hands of the parties who were really interested. First of all, it said, if it is tolerably certain that there will be a surplus after paying the creditors, the shareholders ought to be the people to control the liquidation. On the other hand, unless it could be said with reasonable certainty that the creditors would be paid in full within twelve months, then the creditors ought to have control of the liquidation, and that would constitute what was then created—a creditors' liquidation.

In the case of a members' liquidation, before the actual resolutions are passed, the directors must meet together and consider, with such evidence as is supplied to them, what is the position of the company, what its assets are likely to realise, and what the position is likely to be within the next twelve months. If they are satisfied that all the debts can be paid within twelve months they then make a declaration of solvency at the meeting. That must be made at the meeting at which a Commissioner for Oaths is present to take the affirmation made by all or the majority of the directors—a declaration that in their opinion the debts will be paid in full within twelve months.

There have been complaints that in some cases that provision has been abused. The declaration has been made when there was no real justification for making it, simply in order to deprive creditors of their rights. If that should be so, it would be exceedingly difficult for the creditors to take any effective action. The declaration only expresses an opinion, it carries no personal liability. If it should happen that the declaration has been improperly made, the position, I take it, will arise that the only claims will be under similar circumstances to those of our old friends *Derry v. Peek*. You would have to prove that the directors had made the declaration knowing that it was false, or without caring whether it was true or false. You can see how difficult it would be to bring that home to any body of directors, and how small would be the evidence that they would have to produce in order to escape liability under those clauses. Even when there is some doubt about it, and a creditor thinks it very unlikely that he will be paid in full within twelve months, it is extremely difficult to advise him to go to the Court; because if it were demonstrated that there were good grounds for the declaration of the directors, his application would be dismissed, and he would find himself landed with the costs of both parties. So that the declaration does put the directors in a position from which they cannot easily be dislodged.

If the liquidator, having been appointed in a members' winding-up, afterwards comes to the conclusion that there is serious doubt or a reasonable certainty that he will not be able to pay the creditors in full, then it is usual for him to call a meeting of the creditors and suggest an informal committee to work with him. If he takes that course he has to act with considerable caution and tact in regard to what he will say to that meeting of creditors. It may be the case that when he considers the speech he would have to make to them, he decides that discretion is the better part of valour, and that he had better carry on as he is.

On the passing of the resolution for winding up the company ceases to carry on business except for the purpose of a beneficial winding up. The resolution must be printed, and a copy of it will be authenticated by the chairman or one of the officials of the company, and lodged with the Registrar within fifteen days and advertised in the *Gazette*. Thereupon the conduct is in the hands of the liquidator appointed by the shareholders. The creditors in that case are not entitled to any information—as of right at any rate—nor is there any provision for meetings of the creditors. They may of course inspect the file at Bush House, but as the liquidator will not be filing accounts for twelve months, it will be quite a long time before they will find anything on the file, and in twelve months' time the worst may have happened.

Now as to the accounts. If the winding up continues for more than a year, the Act provides that the liquidator must summon a meeting of the members of the company at the end of each year and lay before them an account of the liquidation. Then of course he files the accounts so that they are available for inspection by creditors or interested parties. When the winding up is complete he calls a general meeting. By sect. 236 he must call that general meeting by advertisement in the *Gazette* at least one month before the meeting. Apparently there is no necessity to give any other notice of this meeting. If it should happen that nobody attended the meeting, then he has only to make a statement that there was no quorum at the proper time and file that with his accounts at Bush House. After three months from his final statement of accounts and notice of that final meeting, the company is deemed to be dissolved.

You will see, therefore, that liquidation is a relatively simple matter in the case of a members' winding-up, and in the case of there being sufficient assets, as the directors have anticipated, to pay the creditors in full and some amount to return to the shareholders after payment of costs.

Immediately the liquidator is appointed there are several things he should do. It is advisable that he should prepare a statement of the position as he finds it. Of course, if he has been auditor of the company he will be fairly familiar with it, and he may have drawn up a statement on which the directors have decided that they are able to make that statutory declaration of solvency. Another thing he must do is, take great care to carry on insurances. He will immediately give notice to the debtors that they must pay him and nobody else the debts that are due, and he will transfer any bank balance that there may be to an account in his own name so as to obtain control of it. He will also make proper arrangements for control of the business if he is going to carry it on. These are among the practical points that every liquidator will attend to immediately he gets into the saddle.

Discussion.

Mr. W. S. JONES: Assuming that it is proved that the directors have made a false declaration, what liability do they incur apart from liability under the *Perjury*

Act? In the case of the *Spanish Prospecting Company*, was not the Judge required to define profits for the purpose of fixing the managing director's commission? Did he not say it was the actual profit of the company over the period calculated by reference to the increase in total net assets?

Mr. BACK: In regard to the first question, if the false declaration was grossly and fraudulently made, it might be possible for somebody at a later date to prove that, and it would come within the meaning of the Statutory Declarations Act. In that case there is of course in the first place a liability because the directors would have committed perjury, and there might be a criminal charge under that head. I do not know if there would be any financial liability. It would be assumed, of course, that the assets were properly dealt with, that there was no charge against the liquidator, and in that case he would have done as well as anybody could have done; and nobody would have been damaged to such an extent as would entitle them to bring forward a claim against the directors for damages. With regard to the *Spanish Prospecting* case, I believe that is perfectly right. The Court of Appeal in that case considered in detail how the profits were to be calculated in the special circumstances.

Mr. W. T. WELLS, Incorporated Accountant: When an issue of bonus shares is made, are the shareholders liable to pay tax upon receipt of those shares? It seems to me that if the shares are subsequently sold, the shareholder will have received, in effect, a dividend, which is presumably not liable to income tax. This being so, what is the position regarding a claim for repayment should the shareholder not be liable to pay income tax?

Mr. BACK: The answer is, to begin with, that the company has paid income tax on its profits annually as it made those profits. The company has capitalised its profits, and it distributes them not as revenue but as capital. In that form they are not subject to income tax in the hands of the shareholder.

Mr. W. J. NICHOLLS: There are two points I would like to refer to. I understood Mr. Back to say that if the directors make a statutory declaration that they are likely to pay off the debts, and the liquidator, finds this not to be the case, he calls a meeting of creditors. Does his action turn a members' winding up into a creditors' winding up? The other point is in regard to the payment of capital as profits. I understand it is an illegal process to distribute capital as profits; in other words, to pay back the members' contributions. If the firm should capitalise its profits by adding assets or by creating bonus shares so-called, is the rule to apply to the capital as it originally stood, or may the company convert those assets back to profit and distribute it?

Mr. BACK: If the voluntary liquidator should call a meeting of creditors and talk to them about the position, and they should appoint a small committee to act with him, it would be an informal committee. The whole business would be informal; it is not provided for in the Act. I did not suggest that it had any legal authority. The liquidator would accept the advice of creditors as to how he should deal with the different items calling for his attention. With regard to the other question, once the profits have been capitalised and issued in the form of shares to the shareholders, they have become capital, and cannot be converted back again into revenue by any act that is possible to the company.

Mr. J. M. KEYWORTH, Incorporated Accountant: Could Mr. Back tell me if it is possible for a company to distribute dividends at a time when it has a debit balance on its profit and loss account, subject, of course, to the Articles?

Mr. BACK: It can distribute dividends by way of interest on capital in certain circumstances during the construction of its works or plant. Apart from that, it cannot distribute dividends out of profits if its profit and loss account at the date at which it makes the distribution is, in fact, in debit, except in so far as the current

year's accounts show a profit. It is possible in certain circumstances for that profit to be available for distribution without providing for the losses made in past periods, but it must have its profit and loss account for the period in question in credit before it can distribute anything.

Mr. I. F. ACFORD: Supposing a liquidator allowed an insurance policy to lapse, what liability would fall upon him? Would it be necessary for the liquidator to make good any loss?

Mr. BACK: There would be a personal liability on the liquidator for negligence—for example, if he had allowed a fire insurance policy to lapse and afterwards there was a fire and the assets that he should be realising were destroyed.

Mr. G. ROBY PRIDIE, Incorporated Accountant: A certain anomaly arises out of the information Mr. Back gave us earlier this evening—of course, he was referring entirely to public companies—regarding the fact that there is no statutory obligation on the company to distribute its profits by way of dividends. As we all know, in the case of private companies, although there is no statutory obligation to declare dividends, if in certain circumstances they fail to do so they are liable under the provisions of the Income Tax Act to an indirect penalty by reason of the provisions for raising sur-tax assessments on the company's profits. That is an anomaly that does exist, and I can see no way of getting out of it.

The CHAIRMAN: Before bringing the meeting to a close I should like to refer to one or two matters. Mr. Back mentioned the payment off of debentures and their re-issue. When debentures are paid off, they have to be stated in the balance sheet. In what form would he state the redeemed debentures in the balance sheet, and how would he deal with the old certificates in the event of a re-issue? Another point is in relation to the issue of what has been termed bonus shares which Mr. Back says are not really bonus shares—a question that was raised by one speaker about the deduction of tax. Take a case like this. You have a reserve which it is proposed to capitalise. That reserve is capitalised after deduction of income tax on the assumption that, if it had been distributed, tax would have been deducted. Now if you deduct tax and then use the reserve to pay for new capital in the form of what has been called bonus shares, what is the position with regard to the shareholders? They are apt to think that what they receive is in the nature of income, but in fact they have not got it as income; they have got it as capital. Nevertheless, income tax is deducted. I am sure we have all listened with great interest to Mr. Back's lecture. He has dealt with many points which will be of use to examination candidates, and I am confident that the students will derive great benefit.

Mr. BACK: First of all, as to the statement in the balance sheet with regard to the debentures which have been redeemed. I should imagine the best way of stating that is to add a note immediately under the debentures that are outstanding, to the effect that there are so many debentures available for re-issue. As to whether the old certificates can be used again, I believe in point of fact they could be used again, but having got a receipt endorsed on the back of the debenture, I should prefer to issue a fresh certificate. The point about tax deducted on bonus shares I have not come across. The tax will, of course, have been paid, so that the fund out of which capitalisation has taken place is already a taxed fund. It is received by the shareholder as capital and he cannot claim repayment of the tax which may have been deducted before the point at which capitalisation took place.

On the motion of Mr. G. Roby Pridie, Mr. Back was accorded a hearty vote of thanks for his lecture, and a similar compliment was paid to Mr. Strachan for presiding.

Professional Appointments.

Mr. H. J. Lewis, A.S.A.A., has been appointed Borough Treasurer of Lambeth.

Mr. A. L. Ross, M.B.E., A.S.A.A., has been appointed Actuary of Edinburgh Savings Bank.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Glasgow Students' Society.

The annual meeting of this Society was held on 20th ult. Mr. W. Davidson Hall, F.S.A.A., occupied the chair, and was supported by Mr. P. G. S. Ritchie, F.S.A.A., Mr. E. H. Harris, A.S.A.A., Mr. Thomas Robertson, A.S.A.A., Mr. Thomas Tinto, A.S.A.A., Mr. J. Hawthorne Paterson, F.S.A.A., and Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch.

Apologies for absence were intimated from Mr. Robert T. Dunlop, President of the Branch, Mr. E. Mortimer Brodie, Mr. Alfred Palmer, and from the Hon. Secretary of the Students' Society, Mr. James A. Mowat, who was confined to the house through illness.

The Hon. Secretary's report and the audited financial statement were adopted, on the motion of Mr. E. H. Harris. The following were elected office bearers for the ensuing year:—Hon. President, Mr. Robert T. Dunlop, F.S.A.A.; Hon. Vice-Presidents, Mr. J. Stewart Seggie, F.S.A.A., and Mr. James Paterson, F.S.A.A.; President, Mr. W. Davidson Hall, F.S.A.A.; Vice-President, Mr. Alfred Palmer, A.S.A.A.; and the following members as a Committee: Mr. E. H. Harris, A.S.A.A., Mr. Thomas Tinto, A.S.A.A., Mr. Thomas Robertson, A.S.A.A., Mr. John Aitchison, A.S.A.A., Mr. J. Hawthorne Paterson, F.S.A.A., Mr. J. M. Wainwright, Mr. Leslie S. Davis, Mr. Wm. Warnock, Mr. Alister Macdonald, Mr. Hector McKechnie, and Mr. James A. Mowat.

In moving a vote of thanks to Mr. Davidson Hall for presiding, Mr. James Paterson referred to the very practical interest taken by the Chairman in the work of the Students' Society and to his invariable attendance at their lectures and meetings.

Lecture on Scots Law of Succession.

The third of the series of lectures to students on Scots Law subjects was given on the 20th ult. in the Scottish Constitutional Club, Glasgow, by Mr. Donald A. S. McLeish, M.A., LL.B., Glasgow. The subject on this occasion was the Law of Succession in Scotland. Keeping in view the scope of the Society's examinations, Mr. McLeish treated the subject in a very thorough manner, and at the close answered a number of questions. Mr. W. Davidson Hall presided over a large attendance of students, and was supported by Mr. P. G. S. Ritchie, F.S.A.A., and Mr. James Paterson, Secretary of the Scottish Branch.

In moving a vote of thanks to Mr. McLeish for his lecture, Mr. Paterson said that the students had a very great advantage in these tutorial lectures, which should result in much fuller knowledge of the Scots Law questions set in the Examinations. The next lecture will be held at same place at 6.30 on February 17th, the subject being "The Law of Trustees and Executors."

A Municipal Audit Question.

An interesting and important point in municipal audit has been raised by the auditor of the burgh of Airdrie arising on the accounts of the Town Council for 1935-36. The auditor, in a report to the Secretary of State for Scotland, alleges that the Town Council acted *ultra vires*

in passing a resolution for the reduction of the rents of a number of corporation houses and the abatement of the proportionate amount of rates. These rents are stated to have been fixed under the Housing Act, 1923, after approval by the Department of Health for Scotland, and the reduction did not have that approval. Prior to the reduction the valuation roll for the year had become final, and the only method of relief from rates was by way of appeal by the individual aggrieved to the Town Council sitting as an Appeal Court. Instead, the reductions were made *en bloc*, which the auditor holds was *ultra vires*.

Reform of Scots Law.

At the request of the Lord Advocate, a committee has been formed to report what changes, if any, in the present law are necessary or desirable in regard to (1) the use of holograph wills as links in title to heritage, with special reference to sect. 46 of the Conveyancing (Scotland) Act, 1924; (2) the enforcement of decrees *ad factum praestandum*; (3) the law and practice of edictal citation; and other matters. Lord Wark has agreed to act as chairman, with a committee representing various branches of law in Scotland.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., Probate, Divorce and Admiralty.]

EXECUTORSHIP LAW AND TRUSTS.

In re Lewis's Will Trusts: O'Sullivan v. Robbins.

Bequest of Securities.

A testator bequeathed certain securities, "or the investments representing the same at the date of my death if they shall have been converted into other holdings," to his trustee on the trusts mentioned in the will. One of these securities, consisting of debenture stock in a company, was redeemed, and was, at the date of the testator's death, represented partly by a sum in a deposit account at the testator's bank and partly by a sum on deposit at the Army and Navy Stores, Limited.

It was held that those sums of money passed under the will as investments representing the security at the date of the death of the testator.

(Ch. : (1936) 53 T.L.R., 132.)

In re Mills's Will Trusts: Marriott v. Mills.

Meaning of "Belongings."

The will of a testator contained the following clause: "I give and bequeath unto my daughter all my home and personal belongings except the piano and all insurance to go to my daughter."

It was held that, as the word "belongings" meant "property." The residuary estate, which included cash in the house and money at the bank, passed to the daughter under the bequest as well as the personal chattels and the benefit of the insurance policies.

(Ch. : (1936) 53 T.L.R., 139.)

INSOLVENCY.

In re a Debtor (No. 231 of 1936).

Moneylender's Debt.

Moneylenders presented a bankruptcy petition in respect of a debt made up partly of a principal sum and partly of interest at 5 per cent. per annum, and also stated in the petition that they had a further claim for postponed interest. The debtor tendered to them, out of money provided by another person, the amount of the principal together with interest at 5 per cent. per annum and costs. The creditors refused to accept that tender.

It was held that sect. 9 (1) of the Moneylenders Act, 1927, preserved the right of the moneylenders to obtain payment of the excess interest, though postponing the time of payment; that the sum tendered was not the whole sum recoverable by the moneylenders; and that the Registrar was entitled to make a receiving order. If the order was not made the creditors would be deprived of their right to recover in bankruptcy the balance of their interest after the other debts had been paid in full.

(C.A. : (1936) 53 T.L.R., 108.)

In re a Judgment Debtor (No. 1539 of 1936).

Substituted Service of Bankruptcy Notice.

Substituted service of a bankruptcy notice ought not to be ordered in cases where it is improbable that notice of the service will come to the knowledge of the debtor within the time limited by the notice for compliance with its provisions.

(C.A. : (1936) 53 T.L.R., 144.)

REVENUE.

Scott v. Inland Revenue Commissioners.

Property Passing on Death.

C, the holder of a title, and his eldest son, exercised their joint power of appointment over certain estates and appointed, subject to C's life interest, to the use of the eldest son for life with remainder to the use of his sons successively in tail male and in default of such issue to the use of C's second son G for life, with remainder to the use of his sons successively in tail male. C bought G's life interest and settled it on certain discretionary trusts. In the events which happened G succeeded C in the title. Immediately after the death of G the only person interested in the income of the property was G's son W as tenant in tail male in possession.

It was held that, during the life of G, W had no interest in any defined portion of the property, his only interest being the possibility of benefit under the discretionary trusts; that on the death of G the discretionary trusts ended and W's estate in tail male in remainder became an estate in possession and he was entitled to receive the whole income of the property; that the property

therefore passed to him on the death of G within the meaning of sect. 1 of the Finance Act, 1894; and that estate duty was payable thereon.

(H.L. : (1936) 53 T.L.R., 130.)

Lyons v. Collins.

Valuation of Annual Values by Person of Skill.

By sect. 138 of the Income Tax Act, 1918, if any dispute arises as to the annual value of any lands, tenements or hereditaments, the General Commissioners shall, if required by the appellant, direct the appellant to cause a valuation to be made by a person of skill named by them and may require the same to be verified on the oath of such person, and the annual value shall be determined in accordance with that valuation.

It was held that where under the above section a valuation has been made which cannot be impeached as being bad in law the words of the section are conclusive that the annual value is to be determined in accordance with that valuation, and that the Commissioners must accept it and determine their final assessment under sect. 137 (4) or (5) accordingly. On completion of his valuation the person of skill is *functus officio*, and the only questions which he can be asked on oath with regard to the verification of his valuation are limited to requiring him to explain some ambiguity.

(C.A. : (1936) 53 T.L.R., 140.)

Harrison v. John Cronk and Sons, Limited.

Profits or Gains of Trade.

A company carrying on business as builders purchased land on which they erected houses which they sold to persons of small means, who were unable to provide from their own resources more than a very small part of the purchase price. The rest was advanced to the purchaser on mortgage by a building society, and, in order that the advance might be for the full balance of the purchase price owing, an arrangement was made between the building company and the society whereby the company guaranteed to the society a proportion of the amount advanced and deposited with the society a whole or part of the sum guaranteed. The society paid the company interest on such deposits at current rates. The title of the purchaser was completed by a deed of transfer by the company, in which they acknowledged receipt of the whole of the purchase price. The Crown contended that, in the ascertainment of the balance of the profits or gains of the trade carried on by the company, the full amount of the purchase price of each house should be brought in as a trading receipt at the time of purchase, and that any subsequent losses under the guarantees should be allowed to the company when they occurred.

It was held that the sums deposited by the company with the building society should be brought in as trading receipts at the time of each sale not at their face value, but on a proper valuation, but that, if such valuation were found to be impracticable, the above sums should not be treated as receipts of the company's trade except in so far as they, or any part of them, were released to the company during the trading periods in question.

(H.L. : (1936) 53 T.L.R., 154.)